By Mr. TAYLOR of Tennessee: A bill (H. R. 10952) granting an increase of pension to Robert W. Gibbs; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10953) granting a pension to Tom S. Bailey; to the Committee on Pensions.

By Mr. TINCHER: A bill (H. R. 10954) granting an increase of pension to William A. Coddington; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10955) granting an increase of pension to Christopher Wilson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10956) granting a pension to Charles A. Heiland; to the Committee on Pensions.

By Mr. VAILE: A bill (H. R. 10957) for the relief of Mark A. Skinner; to the Committee on Claims.

By Mr. WELTY: A bill (H. R. 10958) granting a pension to James A. Franklin; to the Committee on Invalid Pensions.

## PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

111. By the SPEAKER (by request): Petition of Middle Atlantic States Federation of Young Men's Hebrew and Kindred Associations of Norfolk, Va., protesting against pogroms against Jews in eastern Europe; to the Committee on Foreign Affairs.

112. By Mr. BABKA: Petition of Brooklyn Post, Department of Ohio, Grand Army of the Republic, favoring the payment of $50 to Civil War veterans and $30 to their widows, to all who served 90 days or more; to the Committee on Invalid Pensions.

113. Also, petition of Lodge No. 215 of the Switchmen's Union of North America, favoring Government ownership of railroads and opposing antistrike legislation; to the Committee on Interstate and Foreign Commerce.

114. By Mr. BURROUGHS: Petition of the members of the New Hampshire Conference of Social Work in convention assembled in Portsmouth, N. H., on November 21, 1919, requesting the Government to take such measures as will give immediate protection to American relief workers and American property and to the stricken people in Armenia; to the Committee on Foreign Affairs.

115. By Mr. FULLER of Illinois: Petition of George H. Thomas Post, No. 5, Illinois Grand Army of the Republic, for increase of Civil War pensions; to the Committee on Invalid Pensions.

116. By Mr. McGLENNON: Petition of Contemporary Club of Newark, N. J., favoring the Jones-Raker bill regarding Army nurses; to the Committee on Military Affairs.

117. Also, memorial of Henry Joy McCracken Branch, Friends of Irish Freedom, Newark, N. J., commending the Senators who defeated the league of nations; to the Committee on Foreign Affairs.

118. Also, memorial of Pierce McCann Branch, of the Friends of Irish Freedom, of Jersey City, N. J., thanking the Senators who caused the defeat of the league of nations; to the Committee on Foreign Affairs.

119. By Mr. MacGREGOR: Petition of Licensed Tugmen's Protective Association of Buffalo, N. Y., opposing Cummins bill; to the Committee on Interstate and Foreign Commerce.

120. Also, petition of International Union of Steam and Operating Engineers, opposing Cummins bill; to the Committee on Interstate and Foreign Commerce.

121. Also, petition of Brotherhood of Locomotive Engineers, of Albany, N. Y., favoring two-year extension of Government control of railroads; to the Committee on Interstate and Foreign Commerce.

122. Also, petition of Buffalo Federation of Churches, of Buffalo, N. Y., urging limitations upon immigration; to the Committee on Immigration and Naturalization.

123. Also, petition of Buffalo Chamber of Commerce, favoring Plumb plan of railroad control; to the Committee on Interstate and Foreign Commerce.

124. Also, petition of Buffalo Lodge, No. 23, Benevolent and Protective Order of Elks, urging deportation of disloyal aliens; to the Committee on the Judiciary.

125. By Mr. RAKER: Petitions of Keystone Parlor, No. 173, Native Sons of the Golden West, of Amador City, Calif.; Sacramento Post, No. 61, American Legion; Hiawatha Parlor, No. 140, Native Daughters of the Golden West, of Redding, Calif.; Laurel Parlor, No. 6, Native Daughters of the Golden West, of Nevada City, Calif., all relative to Asiatic immigration; to the Committee on Immigration and Naturalization.

126. Also, petition of A. J. Harder, editor of the Roseville Register, Roseville, Calif., for retention of zone system for second-class mail; to the Committee on the Post Office and Post Roads.

127. Also, petition of the Riverside Chamber of Commerce, Riverside, Calif., for creation of Federal Highway Commission and the adoption of a Federal highway plan; to the Committee on Roads.

128. Also, petition of Salinas Valley Merchants' Protective Association, opposing House bill 8315; to the Committee on Interstate and Foreign Commerce.

129. By Mr. REBER: Petition of Pottsville Chamber of Commerce, Pottsville, Pa., favoring House bill 6852; to the Committee on Rivers and Harbors.

130. By Mr. ROWAN: Petition of S. C. Schwed, of New York, for increase in salaries to Federal employees; to the Committee on Reform in the Civil Service.

131. Also, petition of Elisha K. Kane, of Kushequa, Pa., concerning strike situation; to the Committee on the Judiciary.

132. Also, petition of Union of Technical Men of New York opposing antistrike legislation in railroad bill; to the Committee on Interstate and Foreign Commerce.

133. Also, petition of Order of Sleeping Car Conductors of New York concerning railroad legislation; to the Committee on Interstate and Foreign Commerce.

134. Also, petition of National Association of Owners of Railroad Securities presenting facts concerning railroad legislation; to the Committee on Interstate and Foreign Commerce.

135. By Mr. VAILE: Petition of Denver Civil and Commercial Association indorsing Townsend bill for construction of national highways; to the Committee on Roads.

# SENATE.

## SATURDAY, *December 6, 1919.*

*(Legislative day of Thursday, December 4, 1919.)*

The Senate met at 11 o'clock a. m., on the expiration of the recess.

The Vice President being absent, the President pro tempore (Mr. CUMMINS) took the chair.

LAWRENCE Y. SHERMAN, a Senator from the State of Illinois, appeared in his seat to-day.

### RAILROAD CONTROL.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 3288) further to regulate commerce among the States and with foreign nations and to amend an act entitled "An act to regulate commerce," approved February 4, 1887, as amended.

Mr. JONES of Washington. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

| | | | |
|---|---|---|---|
| Capper | Johnson, Calif. | New | Sherman |
| Chamberlain | Jones, Wash. | Newberry | Smoot |
| Cummins | Kellogg | Norris | Sterling |
| Curtis | Keyes | Nugent | Swanson |
| Dial | Kirby | Overman | Thomas |
| Elkins | La Follette | Page | Walsh, Mass. |
| Frelinghuysen | Lodge | Pomerene | Warren |
| Gay | Moses | Reed | Watson |
| Hale | Myers | Sheppard | Williams |

Mr. CURTIS. I was requested to announce the absence of the Senator from Maryland [Mr. FRANCE] on account of illness. I will let this announcement stand for the day.

The PRESIDENT pro tempore. Thirty-five Senators have answered to their names. There is not a quorum present. The Secretary will call the roll of absentees.

The Secretary called the names of the absent Senators, and Mr. RANSDELL and Mr. WALSH of Montana answered to their names when called.

Mr. DIAL, Mr. JOHNSON of South Dakota, Mr. KENYON, Mr. FLETCHER, Mr. STANLEY, and Mr. KING entered the Chamber and answered to their names.

The PRESIDENT pro tempore. Forty-three Senators have answered to their names. There is not a quorum present.

Mr. SMOOT. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The motion was agreed to.

The PRESIDENT pro tempore. The Sergeant at Arms will execute the order of the Senate.

Mr. SHEPPARD. I wish to announce that the Senator from Delaware [Mr. WOLCOTT] is detained from the Senate on public business.

Mr. KING. The Senator from Arizona [Mr. ASHURST], the Senator from Kentucky [Mr. BECKHAM], the Senator from Nebraska [Mr. HITCHCOCK], the junior Senator from Tennessee [Mr. MCKELLAR], the Senator from North Carolina [Mr. SIMMONS], the senior Senator from Tennessee [Mr. SHIELDS], and the Senator from Maryland [Mr. SMITH] are detained on official business.

Mr. SMITH of Georgia, Mr. SUTHERLAND, Mr. PITTMAN, Mr. HARRIS, Mr. MCLEAN, Mr. BANKHEAD, Mr. CULBERSON, Mr. UNDERWOOD, and Mr. FALL entered the Chamber and answered to their names.

The PRESIDENT pro tempore. Fifty-two Senators have now answered to their names. There is a quorum present.

PETITIONS AND MEMORIALS.

Mr. TOWNSEND presented a petition of sundry citizens of Muskegon, Mich., praying for the ratification of the treaty of peace with Germany, which was ordered to lie on the table.

He also presented a memorial of Local Lodge No. 29, International Timberworkers' Union, of Manistique, Mich., and a memorial of sundry citizens of Escambia, Mich., remonstrating against the passage of the so-called Cummins railroad bill, which were ordered to lie on the table.

Mr. CAPPER presented a petition of Earl W. Taylor Post, No. 1, American Legion, of Seneca, Kans., praying for the enactment of legislation providing for the deportation of disloyal aliens, which was referred to the Committee on Immigration.

He also presented a memorial of Local Lodge No. 13, International Association of Railroad Supervisory Foremen of Mechanics, of Parsons, Kans., praying for the enactment of legislation providing for the establishment of wage-adjusting boards, which was referred to the Committee on Interstate Commerce.

He also presented a resolution passed by the Local Shop Federation of Topeka, Kans., favoring the adoption of the so-called Plumb plan for the control of the railroads of the country, which was referred to the Committee on Interstate Commerce.

He also presented a memorial of Local Union No. 1476, United Brotherhood of Carpenters and Joiners of America, of Abilene, Kans., remonstrating against the passage of the so-called Esch railroad bill and also against the adoption of the antistrike amendment in the so-called Cummins railroad bill, which was referred to the Committee on Interstate Commerce.

He also presented a memorial of Olatha Lodge, No. 842, United Brotherhood of Maintenance-of-Way Employees and Railway Shop Laborers, of Olathe, Kans., remonstrating against the passage of the so-called Esch-Cummins railroad bills, which was referred to the Committee on Interstate Commerce.

He also presented memorials of sundry citizens of Pottawatomie and Riley Counties, in the State of Kansas, remonstrating against universal military training, which were referred to the Committee on Military Affairs.

GOLD CERTIFICATES.

Mr. McLEAN, from the Committee on Banking and Currency, to which was referred the bill (S. 3458) to make gold certificates of the United States payable to bearer on demand legal tender, reported it without amendment and submitted a report (No. 316) thereon.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. HALE:

A bill (S. 3492) granting a pension to Arthur A. Rock (with accompanying papers); to the Committee on Pensions.

By Mr. SHERMAN:

A bill (S. 3493) granting an increase of pension to Mary F. Mitchell; to the Committee on Pensions.

By Mr. TOWNSEND:

A bill (S. 3494) granting a pension to George Seward (with accompanying papers); and

A bill (S. 3495) granting a pension to James H. Seward (with accompanying papers); to the Committee on Pensions.

By Mr. SUTHERLAND:

A bill (S. 3496) to amend an act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes," approved September 7, 1916; to the Committee on Education and Labor.

INCOME-TAX RETURNS.

Mr. HARRIS. Mr. President, I ask unanimous consent to offer a resolution, and I ask that it lie on the table.

The resolution (S. Res. 247) was ordered to lie on the table and be printed, as follows:

*Resolved*, That the Secretary of the Treasury be, and he is hereby, directed to furnish the Senate the following information to be secured from the income and profits tax returns for the taxable year 1918 of all corporations engaged, exclusively or principally, in the mining of bituminous and lignite coal:

Capital stock; invested capital; net income; tax (1) income, (2) excess profits, (3) total; per cent of total tax to net income; net income, after deducting tax; per cent of net income to capital stock; per cent of net income to invested capital; per cent of net income after deducting tax to capital stock; per cent of net income after deducting tax to invested capital; capital stock 1917; net income 1917; per cent of net income to capital stock 1917; excess of the per cent of net income to capital stock for 1918 above the percentage for 1917.

That the information be transmitted in form similar to that obtaining in Senate Document No. 259, Sixty-fifth Congress, second session, which contains the information transmitted by the Secretary of the Treasury in response to the resolution of the Senate of June 6, 1918, and that the corporations be listed in the same sequence and under the same symbols, as far as possible, as obtain in Senate Document No. 259.

RAILROAD CONTROL.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 3288) further to regulate commerce among the States and with foreign nations and to amend an act entitled "An act to regulate commerce," approved February 4, 1887, as amended.

*Friday, December 5, 1919.*

Mr. KELLOGG. Mr. President, I would not take the time of the Senate to discuss the pending bill were it not for the fact and I desire to place in the RECORD certain data which I believe will be of aid to Senators in considering this bill.

We are now facing the most tremendous economic problem ever presented to this country for solution, to a large extent incident to the direct result of the Government's operation of the railways during the last two years. When the President indicated, in December, 1917, his intention to take over, for Government operation, all the railways of the United States, many were convinced that there was no necessity for it and that it would be disastrous. The experiment has amply justified all our fears. It has cost the taxpayers of this country hundreds of millions of dollars, destroyed the efficiency of the service, and placed the railroads to-day in a position where unless some drastic steps are taken this country faces a financial crash, which will not only destroy hundreds of millions in property held by the people of the United States but destroy the efficiency of our transportation system.

Mr. President, I am aware that usually little is to be gained by the discussion of things which have already happened. But in this case these events may point us toward the proper remedy.

Mr. President, I shall try, in this address, to describe the condition of the railroads at the time they were taken over by the Government, the effect of Government operation, the present condition, and the provisions of this bill reported by the committee and designed to afford a remedy. I shall not, to any extent, discuss the subject of Government ownership and operation of the railroads, because that question has been answered in the last two years and settled by the judgment of the American people.

When the war broke out we had in this country, all in all, the best, cheapest, and the most efficient transportation system in the world. That it was not perfect goes without saying. But this is true, and will be conceded by substantially all the experts in the world, that nearly all the inventions, improvements, and advancements of transportation facilities have resulted from American incentive, genius, and energy and enterprise. An efficient and constantly growing transportation system is absolutely necessary to the very life and prosperity of this Nation and must be had to maintain the growth of the country. In the main, the present deplorable condition of the railroads is due to inefficient and extravagant Government management and stupid bureaucratic control. There was no necessity for taking over the railroads any more than there was for taking over the telegraphs, telephones, and cables, which has now been demonstrated beyond question, and which proved so expensive to the Government and disastrous to good service. The Postmaster General reports a loss to date of $14,418,237 in the operation of telephone, telegraph, and cable systems, and there are many companies with which a settlement has not yet been made. Because there was temporary congestion on account of the sudden and enormous increase of business in a comparatively small territory, the President took over all the railroads of the United States for Government operation, created a great central bureau, which, as everyone knows, always is inefficient. I do not claim that after the war broke out the transportation system of this country was sufficient to effectively take care of the sudden increase of business. But during the first nine months of the war the railroads themselves, with all the handicaps of Government interference, priority orders, and laws which prevented the coordination of their facilities, handled as great a business under more adverse conditions at a less expense than has been handled by the Railroad Administration since that time.

Nineteen hundred and seven to nineteen hundred and sixteen were generally years of depression in railroad business, and according to the report of the Interstate Commerce Commission the number of cars in the country exceeded the demand. Then came, on account of the European war, a sudden and great expansion in our railroad transportation. The freight traffic increased about 50 per cent from 1915 to 1917, or, in other words, 135,164,000,000 ton-miles, which was equal to the entire traffic of all the railroads of Canada, Germany, Great Britain, Russia, France, and Austria, excluding Hungary. Then this country declared war in April, 1917. The railroads were deprived of 12½ per cent of their efficient men, the passenger and freight traffic suddenly increased, the mobilization of millions of troops placed an additional burden on the railways, there occurred a great increase in manufacturing and transportation, especially between Chicago and New York, and it is no wonder that our transportation systems could not handle all this traffic promptly and effectively. The railroads did organize immediately under the call of the Council of National Defense, by appointing a railway executive committee, which took charge, so far as the Government would permit, of all the railroads, intending to coordinate their facilities, and did handle the transportation more effectively than it has ever been handled since. One of the difficulties was that the Government kept interfering by priority orders issued by hundreds of the Government's agencies all over the country, until it was estimated that nearly 80 per cent of the traffic on some railroads was under priority orders, which largely interfered with the management of the systems. All that it was necessary for the Government to do was to appoint an agent with authority to see that the railroads gave preference to all Government business and such business as was incidentally necessary to carrying on the war. Had this been done and the various organizations of all the railroads availed of, instead of largely being scrapped and replaced by a new organization in Washington we should not only have had more efficient transportation but we should have avoided the financial disaster which has followed this Government operation.

During the first nine months of the war, from April, 1917, to January, 1918, while the railroads were under private management, with all the Government interference, priority orders, and inability, on account of the law, to coordinate their facilities, they handled substantially as much traffic as was handled in the same nine months of 1918, and more than was handled in the same period during 1919. In the year 1917 the railroads handled substantially as much business as they did in 1918, and more than they did in 1919, with about 190,000 less employees and $1,500,000,000 less cost.

In spite of the increase of from 25 to 50 per cent in freight and passenger rates, the net earnings of the railroads have constantly decreased under Government operation, until they are now so low that the Government is losing about $350,000,000 per annum, and if the roads were turned back to private ownership without adequate provision they could not pay the interest on their bonds.

I ask leave to place in the Record, at the end of my remarks, as Appendix A, a statement of the ton and passenger miles of the railroads during the years 1917, 1918, and 1919, compared with the average of the three preceding years.

It will thus be seen that in the year 1917 the ton and passenger miles of the railways were almost equal to 1918, and during the nine months of war in 1917 they were nearly equal to the same nine months of war in 1918, and the business of 1917 was greater than the business of 1919, the latter two months of which are estimated.

Let us therefore consider the financial condition of the railroads when the Government took them over and the present financial condition. In 1917 the gross earnings of all class 1 railroads totaled $4,050,463,579. The total operating expenses aggregated $2,858,212,210, and the net income equaled $974,778,937, while the best information we can get for 1919 will show that the railroads will earn substantially $5,232,000,000 with less business than in 1917. This estimate may be a little large on account of depression in November. This is on account of an increase in freight and passenger rates from 25 to 50 per cent. And yet the operating expenses of the roads have increased from $2,858,212,210 to an estimated operating expense, including taxes and rentals, of $4,695,500,000, leaving an estimated net income of only $536,500,000, or nearly $400,000,000 less than the guaranteed income which was the average of the net earnings of the roads for the years 1915, 1916, and 1917. In other words, the people of the United States were paying over a billion and a half dollars more for handling less traffic in 1919 than they were in 1917, and the owners of the roads but for the Government guaranty would receive about $438,000,000 less.

The following is a statement of the operating revenues, operating expenses, taxes, and net operating income of the roads for the test period of 1915, 1916, and 1917 and for the years 1917, 1918, and 1919:

*Revenues and expenses of railways of class 1.*

| | |
|---|---|
| Operating revenues: | |
| Test-period average, 1915–17 | $3,395,231,000 |
| Year 1917 | 4,050,463,579 |
| Year 1918 | 4,913,319,604 |
| Year 1918 to Sept. 30 | 3,553,368,170 |
| Year 1919 to Sept. 30 | 3,783,083,927 |
| Per cent of increase, 6.5. | |
| Year 1919, estimated | 5,232,000,000 |
| Operating expenses: | |
| Test-period average, 1915–17 | 2,297,162,000 |
| Year 1917 | 2,858,212,210 |
| Year 1918 | 4,006,894,762 |
| Year 1918 to Sept. 30 | 2,871,507,509 |
| Year 1919 to Sept. 30 | 3,209,629,321 |
| Per cent of increase, 11.8. | |
| Year 1919, estimated | 4,470,000,000 |
| Taxes: | |
| Test-period average, 1915–17 | 152,427,000 |
| Year 1917 | 182,778,423 |
| Year 1918 | 186,652,095 |
| Year 1918 to Sept. 30 | 140,243,424 |
| Year 1919 to Sept. 30 | 140,915,784 |
| Per cent of increase, 0.5. | |
| Year 1919, estimated | 187,500,000 |
| Equipment rentals, etc.: | |
| Test-period average, 1915–17 (debtor) | 36,450,000 |
| Year 1917 (debtor) | 33,996,916 |
| Year 1918 (debtor) | 28,740,762 |
| Year 1918 to Sept. 30 (debtor) | 20,670,458 |
| Year 1919 to Sept. 30 (debtor) | 27,301,740 |
| Per cent of increase (debtor), 32.1. | |
| Year 1919, estimated (debtor) | 38,000,000 |
| Net operating income: | |
| Test-period average, 1915–17 | 905,160,000 |
| Year 1917 | 974,778,937 |
| Year 1918 | 690,418,778 |
| Year 1918 to Sept. 30 | 520,481,487 |
| Year 1919 to Sept. 30 | 404,673,385 |
| Per cent of increase (debtor), 22.3. | |
| Year 1919, estimated | 536,500,000 |
| Operating ratios: | |
| Test-period average, 1915–17 ... per cent | 67.66 |
| Year 1917 ... do | 70.57 |
| Year 1918 ... do | 81.55 |
| Year 1918 to Sept. 30 ... do | 80.81 |
| Year 1919 to Sept. 30 ... do | 84.84 |
| Year 1919, estimated | 85.44 |

In 1917 the percentage of operating expenses to gross earnings of all the roads in the United States was 70.57 per cent; that is, for each dollar earned it cost 70.57 cents to operate the roads. In 1918 this had risen to 81.55 per cent, and in 1919 it is estimated at 85.44 per cent.

In 1917 all of class 1 railroads of the United States earned 5.38 per cent on their property investment. This was the last year of private operation. In 1918 they earned 3.71 per cent, and during the first six months of 1919 they earned eighty-four one-hundredths per cent—of course I am taking book values because I have no others available—but the first six months of the calendar year is, on the average, the poorest half of the year. And the first nine months they had earned 2.19 per cent, which is estimated for the year to be 2.92 per cent, or less than the interest on the bonds and fixed charges of the railroads without paying anything at all on capital stock; and it is conceded by everyone that the bonded indebtedness of the railroads is six or seven billions less than the fair value of the properties.

I ask to have printed in the Record as a part of my remarks as Appendix B a statement showing the names of the railroads, the miles operated, the net operating income, the fixed charges, and the balance over fixed charges for the first nine months of 1919, and also a summary of this statement by districts; and as a part of the same statement Appendix C, showing the railroads which earned a greater or less sum than the standard return.

The VICE PRESIDENT. Without objection, the matter referred to will be printed in the Record.

Mr. KELLOGG. From these statements it is easy to determine the present status of the railroads, and it is perfectly evident that unless the net earnings are increased a very large percentage of the railroads, including some of the best, will be in the hands of a receiver within a few months for inability to pay their interest and fixed charges.

This statement shows that in the first nine months the railroads failed to earn their fixed charges in the sum of $56,658,204.

That means that they failed to earn their interest and those charges that are fixed, such as rentals, and so forth. But a glance at the individual railroads will show the startling condition. For instance, in the eastern district the Pennsylvania Railroad had a deficit of $10,483,413; the New York Central had a surplus of $2,371,808; the Reading had a deficit of $2,860,863; the Baltimore & Ohio suffered a deficit of $13,394,762; the Chicago & Eastern Illinois had a deficit of $4,036,202; and the Panhandle—one of the Pennsylvania lines—$2,027,823. In the southern district nearly all of the railroads had a deficit. In the western district the Chicago, Milwaukee & St. Paul earned no interest on its bonds whatever. It had a large deficit of $11,466,252, which is, as I recollect, about the interest on its bonds. The Great Northern Railroad had a deficit of $365,240. The Northern Pacific just about earned its fixed charges and had a small surplus of $148,002. The Southern Pacific had a deficit of $13,088,404.

These tables show that 57 railroads in the United States earned $111,132,062 more than their fixed charges during these nine months, while 108 railroads earned $167,790,266 less than their fixed charges; so that practically two-thirds of the railroads of the United States must inevitably go into the hands of a receiver unless their conditions are improved—and these are not the poor railroads; they are such lines as the Pennsylvania, the Baltimore & Ohio, the Great Northern, the Southern Pacific, and many others. For immediately the railroads are turned back to their owners, unless Congress acts, the guaranteed return ceases and the railroads are dependent upon their earnings, which have been established by the Government. In other words, the operating expenses of a railroad are, of course, its first charge and must be paid before any interest on securities. The Government took over these railroads in a solvent condition, and while, of course, it has paid, during its operation, a fair rental for the properties, it has increased the operating expenses so greatly that when they are turned back they will be bankrupt and can not from their earnings pay their operating expenses and fixed charges, without one dollar for dividends. A railroad is worth what it will earn.

I do not mean that it should be capitalized on an earning basis; but if it earns nothing it is worthless; and the wages and expenses of operation, once increased, are very difficult to decrease. It is also difficult to increase rates, and it is a serious question in my mind whether rates can be raised sufficiently to make up the enormous deficit the railroads are now suffering. One thing is certain, that passenger rates can not be raised, and it is doubtful whether the rates on many of the leading staple commodities of the country can be increased, such as grain, coal, flour, meat products, and many others.

One of the questions we have been compelled to face involves the cause of this abnormal cost of operation and whether it can be reduced. The principal causes of the increase of operating expenses have been increase of wages, increase in number of employees to do the same or less work, decrease of efficiency, a large operating bureau in Washington, and increase in the cost of materials.

In the first place, when the Government took over the railroads it was supposed that the Director General would avail himself of the complete organizations of each railroad and confine his activities to such direction as was necessary to expedite Government transportation during the war. But in this the public was disappointed. Mr. McAdoo had more ambitious ideas, so he established a great central organization, with 2,600 employees in Washington and scattered over the country, which directly interfered with and benumbed the incentive and enterprise of every railroad organization. It went over the heads of local officials and was enormously expensive. It demonstrated beyond question that you can not efficiently operate 260,000 miles of railroad from a central bureau in Washington full of red tape and bureaucratic obstinance and interference.

The result met the expectations of those who were familiar with railroad operations; and not only was the public poorly served, but people living a long distance from the Capital wishing to obtain transportation facilities, changes in rates, or a hearing on questions of overcharges or damages found it impossible to break through the web of central bureaucratic control in Washington.

I am not blaming the men in charge of it. They are mostly able, conscientious workers and did their very best. I am blaming the men who created this impossible situation in order to build up the power of the Government.

Mr. McAdoo, speaking before the Interstate Commerce Committee in 1918, expressed the hope that very large economies would be practiced in railroad transportation. The fact is that not in one single department of railroad management, except possibly the legal department, which is of minor importance so far as expenses are concerned, has there been economy, but, on the contrary, enormous extravagance. It was claimed that great sums would be saved in the salaries of personnel. In fact, nothing has been saved, and at present, with less business than the railroads were doing in 1917, there were employed in July, 1919, the last month for which we have information, 190,539 more employees than in December, 1917, whose pay will average about $1,500 per annum, or $285,808,500, which is more than 4 per cent on all the capital stock of all the railroads in the United States.

Of course, as the chairman of the committee has said, quite a percentage of this increase was caused by the decrease of working hours, which I do not criticize; but if you will examine the figures, you will see it can not be accounted for altogether by the decrease in working hours, which, as I recollect, amounts only to about 4 per cent.

At the time the Government took over the roads the Director General appointed, by General Order No. 5, a wage commission, composed of Franklin K. Lane as chairman, Charles C. McChord, J. Harry Covington, and William R. Willcox. They made a thorough investigation and reported, on April 30, 1918, that the wage demands of the employees amounted to a billion dollars. They reported that there should be an increase of about $300,000,000 to meet the increased cost of living. This was a very carefully prepared and exhaustive report. This increase was put into effect, and immediately the Director General continued to increase the salaries of nearly all classes of employees, until he reached and passed the billion mark, and they are still demanding much more. It was stated this summer that the President had denied the shopmen any substantial increase and had only given them an increase of 4 cents an hour. But this amounted to $60,000,000 a year.

Mr. KING. Mr. President, will the Senator yield?

Mr. KELLOGG. I yield to the Senator from Utah.

Mr. KING. For information I am rather desirous of knowing how the increase could be from zero to $1,000,000,000 when the committee which presumably had charge of the entire field recommended an increase of only $300,000,000. When were the other increases made which raised the amount $1,000,000,000 above the $300,000,000 recommended by the committee?

Mr. KELLOGG. After the first increase recommended by the board on wages and working conditions in the Railroad Administration was made they started in and have been increasing wages ever since. I am not saying that they have been increased too much; I will come to that in a moment.

I am not contending that the general average of the principal employees is too high, although the increase as a whole since 1915 is equal to the increase in the cost of living—and I will give in a moment the exact figures—but what is subject to condemnation is this: First, the Director General has standardized the wages of practically all railroad employees throughout the United States in the same class, irrespective of the cost of living and local conditions.

Second, thousands of orders have been made reclassifying employees and taking them out of a lower class and placing them in a higher class of pay.

On the first point of standardization: For instance, the pay of many employees in remote districts, on branch lines, where traffic was light, the cost of living very low, and in many cases where employees devoted to their duties only a part of their time, has been raised equal to those in more densely populated districts, under more expensive living conditions. In some instances where station agents had other employment and only devoted a part of their time to railroad business their salaries have been increased from 100 to 200 per cent. Office boys 12 or 13 years of age, studying shorthand or going to school part of the time, have been raised from $35 and $40 a month to as high as $80 and $90, and in many cases men in subordinate positions have received a higher salary than their superiors.

These inequalities have added grossly to the cost of operation of the railroads, have created unrest, and have had a bad effect upon the morale of the service. But if the public thinks that wages are not being increased almost daily they should have access to the orders made by the authorized boards on wages and working conditions in the Railroad Administration. Men are constantly being taken out of one class and placed in a higher skilled class. For instance, in one case, men engaged in cleaning Pullman cars were taken out of the ordinary day-labor class and placed in the class of expert upholsterers and their pay raised from 40 cents to 68 cents an hour, and they still continue to perform their old duties. The fact is that this is going on all over the country to-day. These orders are being made reclassifying the men so as to add enormously to the cost of operation without justice to the great class of men themselves.

I ask to have printed in the RECORD, as Appendix D to my remarks, a statement showing the annual compensation of various classes of employees and the increases in their salaries during the years 1915, 1917, and 1919. The increases in the salaries of employees during 1919, compared with the year 1915, amounted to 72.7 per cent, and as compared with the year 1917, 42.7 per cent. Of course, this does not show the inequalities, because the only information I have bears upon averages. Many men have been raised out of all proportion to their coemployees, and it is that which has created discontent and a large amount of the expense. This does not represent all of the increases now in effect, since it does not include the $60,000,000 given the shopmen in the way of increases which the Director General has put into effect since the 1st of July, 1919.

The chairman of the committee said the other day that he did not think these average wages were too high. I do not myself. For the benefit of the Senate I will state that the best information I can get, which is from the National Industrial Conference Board, Boston, Mass., shows that the cost of living, including all elements, such as food, shelter, heat, light, fuel, and sundries in July, 1919, was 73 per cent greater than in July, 1915, and 30 per cent greater than in July, 1917.

This statement, however, does not show what I consider the most unjustifiable phase of reclassification in many cases. This is general averages—the only way the information can be procured. To get this reclassification one must go through thousands of orders.

But the present deplorable financial condition of the railroads is not the only serious question confronting our transportation system. During the Government operation in the last two years the extensions, additions, and improvements in railroads, and especially in equipment, have been way below the average of previous years and below the demands of the transportation of the country. In other words, without regard to the physical condition, the Government has allowed the railroads to fall behind that normal increase necessary to the transportation of this country.

There is to-day a great shortage of cars all over the country. I doubt if there is a Senator in this Chamber who has not had demands from his constituents for cars.

In fact, there has existed during the last two years a shortage of cars, and yet the Railroad Administration has only purchased 100,000 cars in two years, which is much less than the average yearly purchases of the railroads before, and is about one-half of the deterioration or loss of cars by wearing out, destruction, and so forth.

On January 1, 1918, when the railroads were taken over, there was undoubtedly a great shortage of cars in this country. The cause was perfectly obvious. The years 1913, 1914, and 1915, especially the latter, were, as the Interstate Commerce Commission reported, years of great depreciation in railroad business, and there was a surplus of cars from 1907 to 1916. Then came the great increase of business on account of the war. What the Government should have done on January 1, 1918, was to have directed the railroads to let contracts for all the cars which the shops of the country could build. And this might have been done then at a fairly reasonable price. But what was done was to spend four or five valuable months in trying to standardize cars and locomotives, which has practically amounted to nothing. Committees of manufacturers and committees of railroad men were appointed by Mr. McAdoo and all this time wasted in a futile attempt to do something which decades of experts in railroad work could not accomplish, so that Mr. McAdoo might say that he had standardized the cars and locomotives of the country. The result was that not until May were any contracts let for cars, and during the last two years only 100,000 cars have been built, and I am not sure that all of these have been delivered, while during the years from 1899 to 1918 the average annual purchase of freight cars was 134,310.

I place in the RECORD, as Appendix H, a statement showing the average annual purchases of cars and locomotives from 1901 to 1918.

So far as permanent betterments and improvements to railroads are concerned, the administration has done better, although not all that the needs of the country demand. During the years 1912 to 1917 the railroads spent an average of $446,000,000 per annum on such betterments and improvements. As near as it can be estimated, the present administration has spent about $400,000,000 per annum, but from 1912 to 1917 a dollar would purchase much more in improvements than during the last two years, so that $400,000,000 per annum since 1918 is entirely disproportionate to the amount spent before that time and does not make up for the increased demands upon the transportation system of the country.

When the railroads are turned back to their owners with depleted earnings they are going to be confronted with car shortage due to the failure of the Government to purchase a sufficient equipment, and this car shortage must be made up if the business of the country is to be transacted. A call for cars is coming from all over the country. The Railroad Administration is doing nothing toward obtaining additional equipment, and therefore the railroads should be turned back as soon as possible, so that the companies may take steps to do so.

I have thus given a mere outline of the condition of the railroads and the difficulty confronting the Interstate Commerce Committee when it undertook to solve this problem. The committee took testimony for two months and, through its subcommittee or the whole committee, spent nearly four months in careful investigation and in drafting a bill to be presented to Congress.

Mr. KING. Will the Senator permit an inquiry before he leaves the subject of betterments and improvements?

Mr. KELLOGG. I yield to the Senator.

Mr. KING. I have heard the charge repeatedly made that the Railroad Administration has discriminated against a large number of roads which were under its control, and that the improvements which have been made have been confined to a few roads. I shall not mention a number of roads which have been brought to my attention, but the charge is made that there has been a deliberate purpose on the part of the Railroad Administration, or some of its subordinates, to build up some roads—that is to say, to give them proper betterments and the very best of equipment—and that at the same time they have failed to maintain other roads according to the standard that they were operating under prior to the Government taking them over. Does anything in the testimony indicate that there has been any discrimination, and if there has been no discrimination does the evidence show that some of the roads have been neglected, whether purposely or because of lack of funds?

Mr. KELLOGG. Mr. President, I do not think the testimony shows any intentional discrimination, and I have never heard any such complaint. Of course, the fact is that some roads have been maintained in better shape than other roads, which is probably due to many conditions, one of which would be the want of funds by the railroad, or earnings of the railroad for maintenance. Another might be that it was necessary that a certain road should be kept in much better condition so that the Government could transport material over that road. I know that a great deal of complaint has been made by some of the roads of discrimination in traffic, but it is inevitable that such complaints should be made, and I have no doubt that some discrimination has occurred.

Mr. NORRIS. I would like to ask the Senator another question before he leaves that subject. It may be that I ought to preface the question by saying that I have no other object in propounding any question except to get light on the subject, which I think possibly the Senator will be able to give.

In a conversation that I had with an employee of the Railroad Administration soon after the railroads were taken over he stated to me that at the time the Government took the railroads over they were in a very poor condition and that the engines and cars had not been kept up. He showed me at that time some photographs that he said were taken at various places along the Baltimore & Ohio Railroad, showing a large number of engines, which appeared in the photograph to be standing out on sidetracks, that were not in condition to be used; and that the Railroad Administration, when it took the roads over, first had to do a lot of repairing. In other words, his claim was that a great many of the roads were in such a condition at the time, from overwork and from the demands that had been made on them, although he did not say that it was intentional, of course, that the property was in very bad condition and had to be repaired before it could be used. Is there anything in that?

Mr. KELLOGG. Mr. President, the committee did not go into that subject. Undoubtedly there are some railroads that had not been kept up, and there are some that have not been kept up since. The best information I could get from the accountant of the Railroad Administration is that even at the present time maintenance is being what they call "scrimped." It is not what it should be to keep the railroads up to standard in some cases. But I have heard no general complaint that the railroads were in bad condition at that time and have been put in better condition since. I do not think that generally that is true.

Mr. KING. Mr. President, will the Senator permit a suggestion at this point which is somewhat in response to the inquiry made by the Senator from Nebraska [Mr. NORRIS]?

Mr. KELLOGG. Certainly.

Mr. KING. I made some inquiries just before the Government took the railroads over, and I found that many of the railroad companies had been denied the right of acquiring engines and other equipment, and had really been denied in part the opportunity to repair some of their equipment, because the demands of the Allies were so great that it was deemed imperative that they be supplied, even though it meant denying the right of some of our own railroads to obtain the things which they required.

Mr. NORRIS. Was that before the railroads were taken over?

Mr. KING. Yes; before they were taken over by the Government. I know that a number of the railroad companies had put in orders for engines, and the engines which they had ordered were transshipped and sent across the sea; at least, that is my information. They were ready to pay for them, and they needed them very badly, but it was thought that we should accede to the demands of the allied Governments. Indeed, Russia made some very important demands, and many of the companies that were engaged in constructing engines canceled their engagements with our domestic operations in order to build engines and other equipment for the allied Governments.

Mr. KELLOGG. Mr. President, of course that was true. After the war broke out, in 1917, the railroads were unable to get the materials they needed, and a like condition handicapped the Government to a considerable extent afterwards, and it hurt both the railroads and the Government.

The committee heard the committees of the railroad executives, railroad security holders, chambers of commerce, farmers' organizations, employees' organizations, State railway commissions, and many others, and has finally submitted a bill which is the product representing the consensus of opinion of the committee, although not unanimously concurred in in all respects.

I now desire to discuss the principal features of the railroad bill:

First. Guaranty during readjustment: I think it is evident to everyone that the Government, having produced this condition of the railroads, without regard to the merits of the increase of operating expenses, incurs the duty for a reasonable time, while the rates are being readjusted, to meet operating costs and continue its guaranty. We have no right to take over a public-service corporation and use it for Government purposes, increase its operating expenses so as to render the property valueless, and turn it back without any remedy. Furthermore, should this be done, a financial collapse in this country is bound to follow, and as the bonds of these railroads are held in savings banks, insurance companies, and by millions of individuals, and are a large basis of credit, the greatest care should be taken to preserve their integrity.

It may be said that the Government, having taken over the railroads and fixed the rentals, owes no duty after the properties are turned back. The railroads were not consulted about being taken over. The Congress practically fixed the terms of the agreement, and the agreement was presented to the railroads to accept or reject, as they saw fit. Their only remedy, if they refused to accept the agreement, was to go into the Court of Claims and sue the Government—a remedy which, of course, was entirely inadequate, as the roads needed their income to pay interest and taxes.

The true relation of the Government to a public-service corporation is that the Government has regulatory powers to prevent the companies from earning more than a reasonable income. But it has no right to reduce that income to the basis of confiscation or to take the property over and destroy it. So the least that can be done is to continue this guaranty for a few months while the rates and operating expenses are being readjusted.

For those who may desire to examine the result of this guaranty I ask to have incorporated in the RECORD as "Appendix I" a statement covering the principal railroads in the eastern district, the southern district, and the western district, which will show the total Government guaranty, the result if that guaranty should be reduced 25 per cent, and the rate of dividends that were paid by each one of the railroads, so that anyone can examine it and see whether the guaranty is fair and reasonable during that time. I will not stop to comment on it now.

Second. How should the rates be made? Section 6 of the bill directs the commission to divide the country into rate-making districts, to make rates that would produce 5½ per cent upon the aggregate value of the property within the districts, with permission for another one-half per cent for nonproductive betterments, improvements, or equipment, and takes from each carrier a certain percentage over and above 6 per cent of the earnings, to be used, one half for a trust fund for the purpose of securing interest and dividends, and the other half for the benefit of all the railroads in the country. This is one-half between 6 and 7 per cent and one-quarter above that. I shall discuss these provisions separately.

The commission has found, by experience, that it is necessary to divide the country into districts for the purpose of rate making.

I think there is some misunderstanding in the Senate as to what these districts mean. So far as consolidation of the railroads is concerned, either permitted or forced, they make no difference. These districts are simply traffic districts, which are now being used by the Interstate Commerce Commission for the purpose of adjusting rates which will pay a fair return upon the property in each district.

For instance, take New England, which is a district by itself. The district north of the Ohio River, west of New York, and east of Chicago is another district. South of the Ohio River and east of the Mississippi is another district. West of the Mississippi River and Chicago is another, and so forth. But these are only traffic districts for the purpose of arriving at how much revenue will be needed by the roads in each district. It would take a greater increase of rates in New England to make the roads solvent than it would in the districts west of the Mississippi River, and the commission therefore has in the past divided the country into such districts, and that is the only division of the country made anywhere in this bill. Consolidation follows along the lines of competition, the same as it has in the past and as I think it should continue to do in the future.

There is such a wide variance in the earning capacity and conditions of transportation in different parts of the country. To illustrate: New England is a country with many manufactories, large terminal expenses, and short hauls, while the district west of Chicago is a district of fewer manufacturing towns, long hauls, and different conditions of operation. These districts have already been unofficially recognized by the commission in rate adjustments, such as "Central Traffic Association," "Southern," and so forth. To illustrate, these districts would be substantially the following:

No. 1. New England.

No. 2. Between Chicago and New York, north of the Ohio River.

No. 3. South of the Ohio and east of the Mississippi.

No. 4. West of Chicago, which naturally divides into what is known as the western transcontinental and southwestern territories.

The transcontinental roads are taken by themselves. The western territory is the northern part, and the southwestern territory is Texas, Arizona, New Mexico, and so forth.

In these districts there is a wide variation between the roads. For instance, it would require a much greater increase in rates to make the New England roads solvent than it would the roads in the southern or western districts.

I ask to have printed in the RECORD as Appendix E and Appendix F, as a part of my remarks, two statements, one showing the result of operation of the roads in 1917, compared with 1918, in each district, the rate of return upon the value of the property in the district as a whole, and the percentage in increase of freight rates necessary to enable the roads in the whole district to pay 6 per cent upon their value, taking the cost as the value of the railroads.

I did not use 5½ per cent because it is easier to make these figures on the basis of 6 per cent, those calculations having been made many times, but Senators can see that by reducing them a certain percentage it would be easier to arrive at a different basis.

The other is the same statement for the nine months of the year 1919, the balance of the year estimated. It will thus be seen that in New England it would take 28.06 per cent increase in freight rates, assuming the same amount of business is handled as at present; in the central district, 15.73 per cent; in the southern district, 19.94 per cent; in the western district, which includes all railroads west of the Mississippi River—in fact west of Chicago and St. Louis—15.04 per cent. The western district is divided into three territories, viz, the transcontinental territory, which embraces all the principal lines running from the Mississippi River to the Pacific, the southwestern territory, and the western territory. The southwestern district would require an increase in freight rates of 28.05 per cent.

Mr. THOMAS. Does the Senator mean 28.05 per cent in excess of the present prevailing rate?

Mr. KELLOGG. Twenty-eight and one-half per cent in excess of the present prevailing rate, assuming there is the same amount of business. I do not intend to intimate that that can or should be effected, certainly not immediately.

These figures have, of course, been made up on the basis of present freight earnings and do not contemplate an increase of passenger rates. I am satisfied that no increase in passenger rates can be made. Of course, as I say, the percentage is higher than would be required to earn 5½ per cent or a little over 5 per cent, which the pending bill provides for.

The question of minimum guaranty and excess earnings: The most difficult problem confronting the committee was this: Owing to the wide variation in the earning capacity of different roads in the same district, how could a rate be made—which must, of course, be the same on all roads—which would pay a fair return to the poorer roads and not yield excessive earnings to better roads? In fact, when this problem is solved all of the others will prove easy, and weeks of time and the opinions of the best experts in America were sought on this question.

Many plans were discussed, but finally the question resolved itself into two propositions: First, to make rates in each transportation district so as to produce revenue to pay the operating expenses, including the wages of labor and the cost of maintenance, a fair return upon the property, and to insure the investment of capital necessary to enable the carriers to adequately perform their duties to the public, and let each individual railroad, under this arrangement, earn what it could.

The second was to make rates which would yield 5½ per cent on the aggregate value of the property in each district, with authority of the commission to allow, in its discretion, one-half of 1 per cent more for nonproductive improvements, betterments, or equipment, and as to each individual road earning more than 6 per cent of the value of its property and not exceeding 7 per cent, one half of such excess is to go into its individual sinking fund, and the other half into a general sinking fund for the benefit of all roads.

I should explain that that belongs to the Government, of course, and though loaned to the railroads it still is a debt due the Government. Of all excess earnings above 7 per cent, one-fourth is to go into the individual sinking fund and three-fourths into the general sinking fund. The individual sinking fund is to be kept by each road and to be drawn upon for the purpose of paying interest and dividends whenever its individual income shall fall below 6 per cent. When this sinking fund shall equal 5 per cent of the value of the property the railroad company is to have one-third of all excess above 6 per cent, and two-thirds is to be paid into the general sinking fund, to be held and owned by the Government. The general sinking fund is to be invested under the authority of the board of transportation, to be used in the way of purchases, leases, or rental of transportation equipment and facilities or loans to carriers.

The question is, Which of these two plans is the best? I am prepared to support this bill, although it does not, in all respects, meet my judgment. It is the consensus of the opinion of the entire committee. Nevertheless, I deem it my duty to lay before the Senate the result of my experience and observation in railroad operations.

While there have been in the past, more especially in the earlier years of the development of our railroad systems, great abuses, such as overcapitalization and the payment of rebates, these abuses have been stopped. Since 1907 the Interstate Commerce Commission has kept accurate accounts of the annual money invested in railroad property, rebates have been eliminated, and the railroads are now being valued by the United States, and it is the purpose of this bill to place the issuance of securities entirely in the hands of the commission. But what has made our railroad systems great and developed the vast resources of this country? It has been individual enterprise and competition. Competition in every walk of life has been the mainspring of human progress, and while I realize perfectly that there can not be great competition in rates without discrimination, and that rates must be the same to all, yet there is great competition in service, in enterprise, in operation, in inventive genius, in labor-saving and life-saving improvements, and in betterment of service. It would not be possible to entirely equalize the earning capacity of all railroads and to coordinate the fields of individual enterprise without stagnation.

Of course, this bill does not seek to exactly equalize the earnings of all railroads. One road was wisely built as to territory, grades, and manner of construction, and is economically operated, or it was constructed in the early days and developed with the growth of the country. Another road was unwisely built for speculative purposes and is not economically operated. While it is undoubtedly necessary that it must continue to operate, it is neither fair nor just nor economically sound that the earnings of the better road should be taken and given to the poorer road. It is in direct conflict with all principles of fair dealing and would discourage enterprise, which is necessary to the progress of all human affairs.

Of course, it is fair to say that the bill before the Senate does not take from one road and give to another. It takes a part of the excess earnings, a part of what is supposed to be above a reasonable earning, and turns it over to the Government and provides that the Government may use it in the aid of the transportation systems of the country.

It was thought by the committee that fair rates could not be maintained which would establish the credit and maintain the railroads of the United States without producing to certain of those roads so great an income that it would be unfair to the public, and therefore a certain percentage of those earnings is taken and turned over to the United States, so that it may be used to loan to carriers for purposes of equipment or for acquiring additional facilities, but it belongs to the United States, as the Senator from Iowa stated.

Mr. KING. Will the Senator permit an inquiry?

Mr. KELLOGG. Certainly.

Mr. KING. The presumption is, I understand, that whatever earnings railroads may make, those earnings are made under regulations which are supposed to be reasonable and which provide that their earnings shall only be reasonable. The contention of the Senator and the pending bill therefore reach this ground, namely, that you deprive the railroad companies of their earnings, earnings which are supposed to be reasonable, or, rather, which are based upon reasonable rates, and you confiscate those earnings and give them to the weaker roads. Is not that the effect, legally and morally, of the proposed legislation?

Mr. KELLOGG. No; I do not think it is.

Mr. DIAL. Mr. President, I wish to ask the Senator if there is any question in his mind as to the constitutionality of that provision?

Mr. KELLOGG. I will answer both questions together. I have given a great deal of attention to the question of the constitutionality of that provision. I have read the opinion of Hon. Elihu Root; Mr. John G. Milburn, of New York; Mr. John S. Miller, of Chicago; Mr. Johnson, of Atlanta; and many others, that it is constitutional. I have read the opinion of Mr. Thom, who is a very able lawyer, and of ex-Justice Hughes, of the Supreme Court, to the effect that it is unconstitutional. After studying the question as carefully as I could I have come to the conclusion that it is constitutional; and I base my judgment on the decisions of the Supreme Court of the United States. I am not going to stop to review them; but the Government has the right to regulate the earnings of public-utility companies engaged in interstate commerce. It can not, of course, restrict those earnings below a point that would yield a fair return upon the investment, but within that sphere, allowing a fair return upon the investment, the regulation may be effectuated by fixing reasonable rates or by fixing a reasonable income.

As stated by the chairman of the committee, if there was but one railroad in the United States and Congress should come to the conclusion that 6 per cent or 7 per cent upon the value of its property was a fair return, Congress could so provide and allow it to make rates as it pleased, taking the balance, or Congress could fix rates which would produce 6 or 7 per cent. Can it be less within the power of Congress if there are a hundred railroads? Of course, Congress can not say to the Great Western Railroad that it shall accept 1 per cent, but it can fix a standard of earnings which will allow the fair return on all the properties in a district. If one railroad does not wish to accept it, it can go into court; but its competitor is bound to take it, and therefore it could not get any more.

Mr. OVERMAN. Are the earnings of railroads the property of the companies?

Mr. KELLOGG. The earnings of the railroads are undoubtedly the property of the companies.

Mr. OVERMAN. Under this bill are they the property of the companies?

Mr. KELLOGG. Certainly.

Mr. OVERMAN. And if the Government fixes the just earnings of a railroad at 6 per cent and they make 7 per cent, then the earnings over 6 per cent belong to that railroad; yet the Senator contends that the Government can take away from the railroads their property and use it as it determines for other railroads.

Mr. KELLOGG. This bill does not propose to give the roads the right to earn all they please. It proposes to fix a standard of earnings above which the Congress provides the return shall be unreasonable.

Mr. OVERMAN. But when the Senator from Minnesota admits that the earnings of the railroads are the property of the railroads, the Government by this action would be taking away the property of the railroads without due process of law.

Mr. WATSON. Is it not a fact, if the Senator from Minnesota will permit me, that this bill does not take the property of the railroads?

Mr. OVERMAN. But the Senator from Minnesota says that the earnings are the property of the railroads. Having admitted they are the property of the railroads, what right has the Government to take them away from the railroads?

Mr. WATSON. But the return over and above the standard return becomes the property of the United States.

Mr. OVERMAN. Then it resolves itself into a question of whether it is the property of the railroads?

Mr. WATSON. We have undertaken to provide in this bill that the excess earnings do not become the property of the railroads.

Mr. OVERMAN. That is where the Senator from Minnesota and the Senator from Indiana differ.

Mr. KELLOGG. Oh, no; I misunderstood the Senator from North Carolina. I stated that ordinarily, under the law as it now exists, if a rate is fixed and a railroad earns more than 6 per cent, the excess belongs to the railroad; but that does not prohibit Congress adopting the earnings as the basis for the regulation of the roads and providing that earnings above a certain amount shall not belong to the railroads. That is the point I wish to make.

I believe that to be constitutional—I am aware of the fact that eminent lawyers will disagree with me—but the question of its wisdom, of course, is entirely another thing. I am aware of the fact that there is much question in the minds of many men as to whether such a provision is wise, and, to be perfectly frank with the Senate, when the matter was discussed before the committee I thought that some other plan would be better in order to maintain the initiative and the enterprise of the railroads of the United States, but the majority of the committee disagreed with me. It may be, in order to stabilize securities and put the railroads upon a financial basis where they can handle all the business of the country without excessive charges being placed upon the people, that it is better to adopt this provision.

Mr. WATSON. Mr. President, is it not a fact that this entire difficulty, if there be a difficulty, results by reason of the law which compels a uniformity of rates? That is to say, if we made a rate for the Pennsylvania Railroad alone, and there were no other railroad in the country, we could provide rates, fares, and charges that would give a return that would be equivalent to 5½ per cent on the invested capital. We are, however, compelled to make uniform rates for all of the competing lines in the same rate district. If we were making a rate for the Baltimore & Ohio Road alone, we could, through the Interstate Commerce Commission, make rates and charges that would bring a return equivalent to 5½ per cent on the investment of that line; but inasmuch as rates must be uniform in the same district, if we fix a rate that will earn 5½ per cent for the Baltimore & Ohio investment, that of necessity would bring a return of 6 or 7 per cent on the investment of the Pennsylvania Line.

Mr. OVERMAN. Yes. I understood the Senator from Iowa [Mr. CUMMINS] contended the other day that the excess might be taken from one rate-making district and applied to another rate-making district—for example, to the southern district or to the California district—so as to assist in bringing about a uniformity of rates.

Mr. WATSON. But it is to go into a fund, and that fund is at the disposition of Congress.

Mr. DIAL. Does not the bill penalize the well-managed roads?

Mr. WATSON. Certainly not. As I explained a while ago, and I will explain again to the Senator, if we were fixing a rate for one road alone we could provide for a return of 5½ per cent on the invested capital, but inasmuch as rates must be uniform and one road may make more than 5½ per cent we have a right to put all of them on the rate-making basis or the earning basis, if you please, of 5½ per cent on the invested capital, and say we will take the excess and put it into a fund to be disposed of by Congress for the benefit of all the roads; that is, a portion of it, the other portion, going into a fund for the benefit of the particular road which makes it by way of dividends or improvements or betterments.

Mr. DIAL. I have no well-defined idea about it, but it seems to me that it is not rewarding industry, and that when a rate is fixed it ought to be uniform and let the roads make what they can above the minimum return.

*Saturday, December 6, 1919.*

Mr. KELLOGG. Mr. President, when the Senate adjourned yesterday we were discussing the constitutionality of the provision taking away part of the excess earnings of certain roads. The Senator from North Carolina [Mr. OVERMAN] evidently misunderstood what I said. As the law now stands, of course, but for Government control and operation whatever a railroad earns above the standard return belongs to it. That, however, does not militate against the position that the Government may change the basis of regulation and may provide a standard of earnings for public-service corporations, in which event a railroad would not have any property right in the earnings above the standard return fixed by the Government. That is the whole proposition. I think it is constitutional; the wisdom of it is entirely another question. As to that, undoubtedly, men who are familiar with the subject and students of railway operation may differ.

I was of the opinion, when the committee took up the question, that it would be better to have a simple rule of rate making; to provide that the railroads, as a whole, in a district should be entitled to earn a fair return, and that every road should keep what it earned, but after long discussion a majority of the committee concluded this provision to be wise, and I am not prepared to say that the committee is not right. In any event it will stabilize railroad securities; it will, undoubtedly, enable the roads to procure a fair return on the value of their property without any particular line of road obtaining more than a fair return; and if it leaves enough of the earnings with the individual road to encourage it to better its service, I think it will prove an acceptable and wise provision. The only question in my mind is whether it will work out in that way.

Mr. NORRIS. Mr. President——

The PRESIDING OFFICER (Mr. SMOOT in the chair). Does the Senator from Minnesota yield to the Senator from Nebraska?

Mr. KELLOGG. I yield to the Senator.

Mr. NORRIS. I should like to have the Senator's views on this proposition: Is there any danger under that kind of a provision in the law of encouraging extravagance on the part of the railroads? In other words, if the excess of their returns above a certain fixed figure must go to the Government, would there be any incentive, as the Senator says, to go ahead and improve their service? Taking the best roads, so long as they felt that they were going to get only a certain return in any event, would there be any incentive to improve the roads?

Mr. KELLOGG. The Senator from Nebraska must remember that the only provision which bears any relation to a guaranty is that the rates shall be made as nearly as possible to yield 5½ per cent on the value of the property. Of course, as I shall be able to show the Senator in a moment, this bill does not provide for a 5½ per cent return, but if a road earns more than 6 per cent it gets one-half between that and 7 per cent, and above 7 per cent it gets one-quarter. I am inclined to think that may be insufficient to encourage competition between the roads. No man can tell exactly how it will operate, but I should not think it would tend to encourage extravagance or wastefulness. I may say that I still have some doubt about the wisdom of it.

Mr. NORRIS. If I may ask another question along the same line in regard to this surplus, would there be anything in the theory that this surplus, if it is made, above what is fixed as the return on reasonable rates is in fact money that belongs to the consumers, to the shippers, to the people, and that the taking of more than a reasonable rate is unfair to them?

Mr. KELLOGG. Of course, the Senator must remember that the Government takes this balance and the entire public gets the benefit of it.

Mr. NORRIS. How does the whole public get the benefit of it?

Mr. KELLOGG. Railroad facilities must be provided by some one, money must be borrowed for those facilities, and the Government simply takes the surplus and becomes, it might be said, the banker for the railroads; the Government owns it and the public gets the benefit of it.

Mr. NORRIS. The money is used, or at least a great portion of it is used, is it not, to help out the weaker roads; and, if that is true, does not the bill apply the same principle to the weaker roads that is applied to the stronger roads; that is, it gives them the right to get more money than the value of their property based on a fair return would give them?

Mr. KELLOGG. It is not given to the weaker roads; that is the point; it is loaned to them. The Government gets its return and the public gets the benefit of it, as I understand the bill. It is for the very reason mentioned by the Senator that I was opposed to the consolidation of all the lines in the country into one railroad system. That would equalize their earning capacity, of course, and it would permit rates to be made to produce exactly the same return on all the railroad property in the United States; but I was opposed to it and opposed to Government ownership, because it destroys the very initiative and competition which must exist if the public is to enjoy an efficient system of railroads. Show me a place in this country where there is good railroad service and I will show you a place where there is keen competition, and there is not a place in the United States where there is not competition that the railroad service is satisfactory.

Mr. NORRIS. Mr. President——

Mr. KELLOGG. I yield to the Senator.

Mr. NORRIS. Mr. President, the Senator's statement that a remedy for the difficulty suggested would be the organization of all the railroads into one corporation under one control interests me very much. I take it if that could be done it would solve this difficulty that everybody admits is the great one. Now, the question I want to ask the Senator is, if the committee wanted to avoid Government ownership did they in their investigation consider the plan of organizing all the railroads under one system rather than under several systems with a view to obviating that difficult without entering upon Government ownership?

Mr. KELLOGG. The committee were of the opinion—and I am very firmly of the opinion—that we might just as well have Government ownership. If you consolidate all the railroads in the United States into one corporation, you will deaden every incentive to enterprise, to competition, to efficiency, and will have made it necessary to have a great central bureau to manage 260,000 miles of railroad, which can not be done. I would prefer to leave them as they are and let every road struggle for what it can get, even though some roads should not survive, rather than to bring about that condition in this country; in fact, I think we might just as well have Government ownership.

Mr. NORRIS. Is it not, after all, just a difference in the size of the corporation?

Mr. KELLOGG. The Senator will find, I think, that a railroad can be too large to be efficiently managed; and that is why I am not in favor of having all the railroads put into one corporation or into great regional corporations.

Mr. POMERENE. Mr. President——

Mr. KELLOGG. I yield to the Senator from Ohio.

Mr. POMERENE. If I may be permitted to say so, it seems to me that we have, in effect, now one great corporation operating, or perhaps I had better more correctly say attempting to operate, 260,000 miles of railroad. I say, as a result of a year's study of this problem, that there has never been in the history of the railroads of this country as much extravagance and inefficiency as there has been under this unified control, no matter what the merits may have been; and there have been merits in the unified operation.

Mr. KELLOGG. Mr. President, I shall try to proceed rapidly, because I do not wish to take too much time.

The Senator from Nebraska [Mr. NORRIS] the other day questioned the basis of comparison of earnings of different railroads made by the Senator from Iowa [Mr. CUMMINS] on the ground that the book valuation was not a fair valuation. It does not make any difference what basis you take. We are faced with the proposition that it is necessary to make rates that will enable all of the principal lines of railroads of the country to live. I do not mean that they should all earn the same rate of return on their investment.

It would not be fair that they should do so, because the Chicago Great Western ought not to earn as much as the Burlington, or the Western Pacific as much as the Union Pacific; but there is a great divergence in the earning capacity of different roads, which makes it most difficult to adjust rates that are not too high and permit all of the railroads to live; and it was for that reason that the majority of the committee finally concluded that this was the best policy.

There are, of course, many considerations which support that view. I shall not attempt to go into all of them; but let me illustrate this variation of earnings, and I will take another basis, not the one used by the Senator from Iowa.

During the nine months to September 30, 1919, in the eastern district between Chicago and New York and north of the Ohio River, the Baltimore & Ohio had a deficit of $13,394,762. That is, it lacked that amount in earning its fixed charges, without any dividends on stock, while the New York Central earned a surplus over its fixed charges of $2,371,808. The Erie had a deficit of $10,889,077, while the Delaware, Lackawanna & Western, its competitor, had a surplus of $3,192,520. These are extreme illustrations in this district.

Mr. POMERENE. That was last year?

Mr. KELLOGG. That was the first nine months of this year, and is a fair illustration of what the year will show. In the western district the Chicago, Milwaukee & St. Paul had a deficit of $11,466,252, while the Union Pacific had a surplus of $17,189,129.

Mr. STERLING. Was that for the like period?

Mr. KELLOGG. Exactly the same period—the first nine months of this year. The Southern Pacific had a deficit of $13,088,404, while the Atchison, Topeka & Santa Fe had a surplus of $13,439,073. The Chicago Great Western had a deficit of $299,629, while the Chicago, Burlington & Quincy had a surplus of $12,202,572. I think myself that those variations are more than would exist in ordinary times, but there is no use disguising the fact that 108 of the railroads of the United States to-day lack $60,000,000 a year in earning their interest, and only 57 of them earned more than their interest.

Mr. CUMMINS. Mr. President, the Senator means 108 of the class 1 roads?

Mr. KELLOGG. The class 1 roads. I do not mean little roads. The class 1 roads are those earning more than a million dollars gross; and the committee was confronted with the realization that it would be an appalling thing for 108 railroads to go into the hands of a receiver in six months. We could not fix a basis of rates in this country which would support all of those 108 railroads and not give the 57 a good deal more than the public interest would permit. That is why I was induced to consent to the report of this bill, which in some respects runs counter to my long-established economic ideas. I wished to save the railroad systems of this country from utter bankruptcy, because railroad efficiency is needed on every farm and in every village and in every single industry that exists in the country; and I doubt if Senators realize the serious condition confronting the country. I do not care what basis of value you take; I will take the valuation fixed by any board in the world that is fair. The railroads to-day are not earning anywhere near 4 per cent upon their value.

Mr. WATSON. What per cent of them are not earning enough to pay dividends?

Mr. KELLOGG. One hundred and eight roads out of 165 are not earning their interest and fixed charges, to say nothing about dividends, and all the railroads of the United States are lacking $60,000,000 of earning their interest and fixed charges, with not a dollar for dividends; and everyone knows, of course, that the bonded indebtedness of the roads is far below, six or seven billions below, any valuation which will be placed upon them.

Mr. FRELINGHUYSEN. Mr. President, are there not some that are not even earning their operating expenses?

Mr. KELLOGG. Oh, yes; many of them. The list appears in the RECORD.

Mr. CAPPER. How different is that from the prewar condition in this country?

Mr. KELLOGG. Under the prewar condition, the last year before the war, 60.38 per cent of the class 1 railroads were paying dividends, and practically all of the railroads were earning their interest. Of course, there were some poor lines which were not earning their interest, and some in the hands of receivers, which is a condition that always does exist. The roads for the three years before the war earned an average of 5.25 per cent upon their book values.

As I said, I do not favor this economic principle. I have many times thought that it would be better to give a fair return on all the property and let every road keep what it could get, because, after all, it is what are known as the rich roads that have to borrow the most money and buy the most equipment and terminals; but the committee thought otherwise, and there are, as I have said, some very strong reasons that make it imperative that the securities should be stabilized.

I realize that rates should not be made which will furnish the poorer lines 4 per cent or 5½ per cent or 6 per cent on the value of their properties. They are not worth it. They can not earn it under normal conditions of rates and traffic and should receive less than lines more fortunately situated with larger traffic. If the plan of the committee is to be adopted—and, as I said, I am prepared to support it—I think a sufficient percentage on the earnings above the 6 per cent should be left with the road producing the same, to encourage economical operation and good service. And I doubt very much if one-half of the increase between 6 per cent and 7 per cent and above that is sufficient. My own judgment would be to give them half of all they receive over and above 6 per cent, but I am not insistent upon it.

The plan which the majority of the committee thought best gives the roads, as I said, 5½ per cent upon the value of their property, with one-half of 1 per cent more, if the commission should so determine, for nonproductive betterments, improvements, or equipment. As to the last proposition, railroads are required to make a great amount of improvements from earnings which are called nonproductive improvements. This is a misnomer, and if the present clause in the bill should be retained that word should be stricken out, because no one can say that an improvement is entirely nonproductive.

Steel bridges in place of wooden bridges, stone culverts in place of wooden culverts, street elevations, new stations, and many other improvements which the public demand and to which they are entitled will pay little, if any, income on the investment. But no one can say they are entirely nonproductive. I do not believe that one-half per cent is sufficient among the roads as a whole in this country for such improvements. The best estimate I have been able to obtain is that prior to Government operation the railroads of this country, for 10 years, had spent about three-fourths of 1 per cent per annum as a whole. I mean three-fourths of 1 per cent on the value as it appears on their books, which is about 18 billions. Of course, the best roads, which had the money to spend, invested much more than this. Some invested as high as 3 per cent, but undoubtedly the average was at least three-fourths of 1 per cent.

Now, it must be remembered that they have spent much more than this in betterments and improvements. The average for five years before the war was about $446,000,000, but it is not all taken out of earnings. It is impossible to borrow all the money that goes into betterments and improvements, because they yield such a small per cent of income, if any at all, that you are constantly increasing capital, on which you have to pay interest if you borrow the money. If it is paid in the form of rates, the public has the benefit of it, for under this bill it is not proposed that that money shall ever at any time draw any interest, or pay any income to the railroads, or be the basis of rates to pay any income. That half of 1 per cent does not belong to the railroads. It is not given to the railroads. It is taken from earnings and put into betterments and improvements. Of course, it would make the railroad property more valuable, but it never can be used under this bill, and never should be used, as a basis for earning in the future. Upon that principle the committee was unanimous, and I think it is one of the best principles in this bill. I have for years advocated that principle when we could have the railroads valued and get a basis upon which to act.

The next question is whether the 5½ per cent is too great an income for the roads. The chairman of the committee said that he was inclined to think that it was larger than it should be.

Mr. POMERENE. That is on the whole valuation.

Mr. KELLOGG. That is on the whole. The Senate must remember that this takes in entire traffic districts and involves the entire value of the railroad property. It is not the book value, it is not the capitalized value; it is the value which the Interstate Commerce Commission shall from time to time fix. They have the facilities and information so they can very accurately fix that value before their complete valuation is available.

But you must remember that while, of course, 5½ per cent on the value of that property at present will enable some of the railroads to pay dividends greater than 5½ per cent, railroad bonds in the future will draw a higher rate of interest than they have in the past.

Take the value of money to-day. Bank credits, the best in the world, pay 6 per cent. Government bonds exempt from all State and Federal taxation except surtaxes pay all the way from 4 to 4.75, and State and municipal securities which are exempt from all taxation, both State and Federal, are paying from 4½ to 5 per cent. Of course, no one would invest in railroad securities, subject to uncertainties, unless the stock at least will yield a good deal more than 5½ per cent. To-day no one could possibly sell a railroad stock, and the bonds have depreciated on an average of 25 to 30 per cent in the last five years. The Government itself is now charging the railroads 6 per cent, and in this very bill the railroads are funding their indebtedness to the Government for 10 years, with a provision that they shall give a first mortgage bond, if it is possible, and if not possible such security as the President shall demand, and the Government is charging them 6 per cent per annum. And yet some people criticize us because they say we are permitting the owners of the roads to earn 5½ per cent on the value of their property.

Mr. POMERENE. Mr. President, will the Senator permit me to suggest in this connection that notwithstanding the fact that the Government is charging 6 per cent interest on the indebtedness of these railroads to the Government, yet we have Mr. Plumb, representing the brotherhoods, going around over the country and insisting that if the country were to buy up the railroads and operate them under a scheme of Government ownership, it could be done on a 4 per cent basis?

Mr. KELLOGG. Mr. President, you could no more sell a Government bond to-day, even exempt from taxation, to the extent of $17,000,000,000, bearing 4 per cent, I was going to say, than you could sell a railroad stock. It could not be done.

Again, it must be remembered that 5½ per cent to-day is not equal to 5½ per cent five years ago. The great inflation of currency and the general rise in prices on all commodities have made a dollar very much less in purchasing power. Another thing should be borne in mind: This bill does not give the railroads 5½ per cent on the value of all railroad property in the United States. It provides that the commission shall fix rates which shall, as near as possible, allow 5½ per cent on the aggregate value of all the railroads in each traffic district. But if any one road receives more than 6 per cent, a part is to be taken over and become the property of the Government, and it is estimated—and I think with great accuracy—by the best expert that this will only leave to the railroads 5½ per cent on the value of their property. The balance is taken over to the Government. So that even the 5½ per cent is not guaranteed the railroads.

When we realize that this can not all be paid out in dividends and interest, but a part of it must be used for betterments and improvements, I am convinced it will be found that the rate of return is not too much, indeed if it is not inadequate.

Some have advocated that the Government guarantee 4 per cent on all railroad securities, and make the rates so as to produce this amount, and take all the earnings in excess of the same. But when the Government has to sell a 4¾ per cent bond at par, exempt from taxation, is it reasonable to suppose that it could sell railroad securities, subject to State and Federal taxation, for 5 per cent or even 5½ per cent? And I for one will never consent to exempt $17,000,000,000 or $18,000,000,000 worth of railroad securities from State taxation.

All these railroad securities are subject to State taxation and Federal income taxation. What would be said if the Congress undertook to guarantee railroads 4 per cent, 4½ per cent, or 5 per cent and exempted all their securities and property from taxation by the States? It can not be done and never ought to be done. They should be subject to local taxation.

I think the Government would save but little, if anything, by guaranteeing all the railroad securities of the country directly. It would destroy, as the Senator from Nebraska [Mr. NORRIS] said, all incentive for the railroads to try to make adequate earnings through good service to the public.

There are undoubtedly many considerations in favor of the plan in this bill. The minimum would insure the solvency of most of the roads and enable them to pay their fixed charges, and the maximum is sufficiently large to leave some incentive to better operation. Whether it is enough I can not tell. One thing is certain—enormous sums of money must immediately be obtained for the purchase of equipment and the furnishing of additional railroad facilities, or the business of this country will suffer beyond redemption.

There is no way to get the public to put money into the railroads except to make their securities safe and attractive. You may reduce the rate of return to the present owners to any basis which the Constitution will permit, but you can not make a man invest in railroad securities, and from half a billion to a billion dollars must go into the railroads of this country every year from now on, or the public must suffer. There are only two ways of doing it. You must make them safe or the Government must buy them.

Mr. CHAMBERLAIN. May I ask the Senator if he has compared the ratio of losses that the railroads were sustaining when they were taken over by the Government with the ratio of losses now? In other words, is the annual loss greater now than it was prior to the time the Government took the railroads over, and is it becoming greater?

Mr. KELLOGG. I put all that in the RECORD yesterday; but I will say for the benefit of the Senator that when the Government took over the roads the class 1 roads were earning an average for the three years of about $905,000,000. They are now earning a little over half of that. The Government is losing about $350,000,000 a year, and the railroads are not earning, as a whole, the interest on their bonds.

Mr. CHAMBERLAIN. Is the greater loss which they sustain now due to the increased cost of operation or due to the fact that the roads are not getting as much business as they did prior to the war?

Mr. KELLOGG. The business of 1918 was a little larger than the business of 1917. The business of 1919 is not quite as large as the business of 1917 or 1918. But the business is large to-day. The loss is due to increased operating expenses. I went into the details of that yesterday, and the Senator will find it in the RECORD.

Mr. CHAMBERLAIN. I am sorry I could not be here to hear the Senator.

Mr. POMERENE. It is due also to inefficiency.

Mr. KELLOGG. Now, Mr. President, just one word about the transportation board.

The bill creates a transportation board to study the general transportation problem and to perform many of the executive duties of the commission, leaving the commission to deal largely with the question of rates, earnings of roads, and valuation of properties. One of the weaknesses of the commission in the past has been that it has acted both as an executive and quasi judicial body. It should resemble a judicial body as nearly as possible, as far removed from political influence as can be, and its executive duties ought to be performed by another branch of the service. I do not know that a board of five members is necessary. I am inclined to think three would be better.

If this consolidation plan is adopted, and an opportunity is given to study the water and rail transportation and to coordinate them, a good deal of work must be performed by the board, and in this regard I am prepared to support that provision.

Mr. CUMMINS. Mr. President——

The PRESIDING OFFICER (Mr. SMOOT in the chair). Does the Senator from Minnesota yield to the Senator from Iowa?

Mr. KELLOGG. I yield.

Mr. CUMMINS. I suggest to the Senator from Minnesota something he may have for the moment forgotten. One of the considerations which led the committee to make the board of five persons instead of three was that the board of transportation has the final word upon disputes between employers and employees, and it was thought safer to have a larger board to deal with that very important question.

Mr. KELLOGG. That is quite true; and for the moment it had slipped my mind. I did not intend, however, to discuss the transportation board, as it was fully discussed by the Senator from Iowa, and I fully indorse his views on the subject.

One of the important features of this bill is the plan of railway consolidation, and it contains two propositions: First, permissive consolidation; and, second, compulsory consolidation at the end of seven years.

On the general principle of consolidations I am of the opinion that much can be gained by the amalgamation of the lines of road into the principal competitive systems of the United States.

There seems to be some misunderstanding by some Senators. This bill does not propose to create regional railroads at all. It proposes to take all of the principal lines of competitive transportation and maintain them as they are, taking in a vast number of smaller lines which may be said to constitute feeders, many of which are weak lines, such as the Minneapolis & St. Louis, the Chicago & Great Western, and many others throughout the country that I could name. The committee felt as though there were some 20 or 35 of these principal competitive lines, though I doubt if there are 35. But this consolidation should not be permitted to the extent of depriving the country generally of competition in the service and in permitting the construction of lines of road to meet the growing conditions of the country. I am in favor of requiring a railroad company, before it undertakes to construct any considerable system of road or extension of its road, to obtain a certificate of public necessity, but this should not be done to the extent of repressing enterprise, but only to the extent of preventing useless duplication of roads built for speculative purposes. Many of the principal roads of the country have been constructed by people opening up and developing new industries where the old lines of railroad did not care to risk the investment. And that enterprise should be left so that if one wishes to open a mine, a manufactory, or a new agricultural district, he may build his own railroad, or some other system may build it. If you consolidate them all into a regional district, you have ended enterprise; and that is why the committee did not deem it wise to do so.

Hundreds of millions of dollars to-day are invested in such roads, which are prosperous, and which were constructed by individuals and corporations engaged in the industry of this country. Consolidation should only be permitted along the lines of natural competitive transportation. Let me illustrate what the bill proposes to do. Take the district west of the Mississippi River or west of Chicago, running from Chicago to St. Louis, down the Mississippi River, and all the country west thereof. There are 10 principal lines of railroad—the Great Northern, Northern Pacific, Burlington, Union Pacific, North Western, Southern Pacific, Santa Fe, the Missouri Pacific—known as the Gould System—the Chicago, Milwaukee & St. Paul, and the Minneapolis, St. Paul & Sault Ste. Marie.

I think that takes in all of the principal lines of competitive transportation. There are many other small roads, some of them quite large systems, but, as to every one of them, all of the territory which those systems occupy is adequately served and competition furnished by the larger systems.

Mr. WATSON. If the Senator will permit me, I think there was some confusion caused in the minds of some Senators by reason of the fact that certain rate districts were provided in the bill, and, further, that certain corporations were provided for; and Senators were inclined to believe that the corporations were to be regional or district corporations, resulting in district operation.

Mr. KELLOGG. I have already explained what are known as traffic districts, and I will say just a word about reincorporation.

It must be remembered that there is a limit as to size beyond which you can not have efficient management, and I would not permit this limit to be reached or the principal competitive lines to be consolidated beyond it. There are some lines which could undoubtedly be salvaged—part of the Western Pacific, between Salt Lake and San Francisco, which is utterly useless, both for competition and local service. But, generally speaking, the competitive systems of the country should and must be maintained. It is not practicable to say that they can be scrapped or sold. No one will buy them unless they will pay operating expenses and something upon the capital invested. No other company would buy a road if it did not earn its operating expenses. You can not tear up the Chicago, Milwaukee & St. Paul system, nor the Chicago Great Western, nor the Erie. As the Senator from Iowa said, you would create a storm that no other act affecting industry in this country would cause. It can not be done, and they must be maintained.

It is proposed to permit this consolidation only on a basis not exceeding actual value found by the commission. To be sure, if a road wishes to sell out for less than its value, it is to the advantage of the public, and I see no reason why it should be prohibited. There are many of these lines of road which are not worth what they cost. Their securities are selling on a basis far below their physical value, and I see no reason why, if they wish to sell out to a larger system, they should not take somewhere near the market value instead of the physical value if they are willing to do so. These consolidations are to be made after study by the transportation board, and this is one of the most important duties of that board.

Even though we conceded the right of a road to sell out to another, it should not be permitted until some board has found that it will not unnecessarily or unduly suppress competition to which the public is entitled, and that is one of the objects of the board.

This permissive consolidation is permitted under the following plan: If two or three roads wish to consolidate, they may do so on the basis of value found by the commission, provided they do not unduly suppress competition. They may file a charter with the Federal Government reincorporating them as a Federal entity, giving them all the power that they now have under their State charters, but simply making them a reincorporated Federal company. That is substantially the way the banks reincorporated during the Civil War. That is the permissive system. That goes on for seven years. It is manifestly impossible to have any compulsory system at present.

Mr. CUMMINS. May I remark there, simply that it may not escape the attention of Senators, that even that consolidation must have the approval of the Interstate Commerce Commission. It must find that it is in the public interest.

Mr. KELLOGG. Oh, certainly. No consolidation of competing lines of railroads can be made under the bill or should be made unless the board or the Interstate Commerce Commission find that it is in the public interest.

As to the compulsory consolidation, I must admit again that I personally did not think it necessary or wise, although, as I shall point out, it has some features which are greatly in the public interest.

The substance of this plan of compulsory consolidation is that the transportation board, after making its general plan of consolidation and permitting consolidations to occur during the first seven years, will then proceed to enforce a complete system of consolidation into not less than 20 nor more than 35 companies.

The capitalization of the consolidated companies in stock and bonds shall not exceed the value of the property ascertained by the commission under the act of March 1, 1913. This is to be accomplished through a Federal charter and condemnation proceedings. The board is authorized to organize a railroad company to take over any lines that it is desirous of consolidating. The modus operandi would be to organize the corporation and to condemn the properties of the companies thus to be consolidated, and then to issue and to sell new securities to pay for the properties so condemned. I know of no other legal way to compel such consolidation, and the bill provides that the same is not to be made until sufficient securities have been sold to pay for the properties thus taken. I think the Government has the power to compel consolidation by the system of condemnation.

Mr. CUMMINS. May I interrupt the Senator for a moment, though I am sorry to do so?

Mr. KELLOGG. I have no objection.

Mr. CUMMINS. There is power in the board for the exchange or substitution of securities, and it is believed by those who favor the plan that the power of eminent domain will not have to be resorted to in very many instances.

Mr. KELLOGG. Of course, I perhaps should have remarked that if the board comes to the conclusion that there should be a consolidation of certain lines of railroad it may deal with the railroads thus to be consolidated and exchange securities in the new corporation for those of the old, and if behind this proposed consolidation there is power to enforce it, I have no doubt that most of them could be accomplished. In fact, it is my opinion that we will never use this system of enforceable consolidation, and that it will never be necessary to employ it.

Mr. CAPPER. Does the Senator think the carriers generally are in favor of this consolidation feature?

Mr. KELLOGG. I think they are generally in favor of it. I have, however, heard many carriers say that they did not believe in the principle of enforceable consolidation.

Mr. CUMMINS. As I probably have had more conferences with the executives on that point than the Senator from Minnesota, possibly I can answer that question.

Mr. KELLOGG. Yes, better than I can.

Mr. CUMMINS. The railroad companies are, of course, desirous of having such a law as will permit voluntary consolidation; naturally they are; but so far as I know they are quite opposed to the compulsory consolidation feature, and that is just as natural as the former. Whenever the Government tries to do anything with a railway company against its will, it always meets opposition, and it has met it in this particular case.

I agree with the Senator from Minnesota that in all probability during the seven years allowed for permissive or voluntary consolidation the plan which we have proposed in the bill will be worked out; I think it will be substantially completed; but I believe it only because that after seven years there is power given in the bill to the Government to compel the consolidation which the transportation board and the Interstate Commerce Commission may have determined upon.

Mr. KELLOGG. I think the Senator from Iowa is quite right, although I was of the impression that, generally speaking, railroad executives believed that the companies should be consolidated into the present principal competitive lines. They are very much opposed to consolidating the big lines of road into one company.

Mr. CUMMINS. I am quite of their opinion in that regard. I think the consolidations must take place along the lines already established, and the bill expressly provides for that.

Mr. KELLOGG. It does.

Mr. CUMMINS. For instance, if we were consolidating the roads between New York and Chicago, no one would suggest that they should be consolidated into less than five systems. Those we have had before us have always indicated that that plan, as a general rule, ought to be followed; that will give competition to every community that has it now; and that will recognize the great trunk lines which now exist. That will be true of the West, as the Senator from Minnesota has said, just as it is true of the East.

Mr. KELLOGG. I did not wish to be understood as objecting to that at all. In fact, I think the consolidation must take place along those lines and in the principal companies which are now competing for the traffic of the country, because the country has developed with the construction of those natural competitive lines of transportation, not only competitive between the railroads but competitive between great manufacturing and agricultural and producing districts, so that Chicago, St. Louis, San Francisco, Minneapolis, St. Paul, and New York are all competing throughout the United States for the business of the country. These natural lines of competitive transportation have developed with the country, and it is and must be the object of the bill to maintain that competitive transportation.

Mr. KING. Mr. President, will the Senator from Minnesota permit me to make merely a brief statement as a predicate for the question which I am about to propound?

Mr. KELLOGG. I want to finish as soon as possible; I am nearly through, but I yield to the Senator.

Mr. KING. What I want to ask the Senator is this: Whether he finds any legal impediment to the consummation of the plan of involuntary consolidation suggested by the bill? The Senator knows that under the authorities a charter for a corporation is a contract between the State and the corporation, and that the stock and bonds which are issued and held by stockholders or by the public constitute property. Some railroad stocks and bonds represent holdings in very valuable and profitable companies. Enforced consolidation will compel individuals to surrender stocks and bonds which they own in corporations which are profitable, and will compel them to take stock or bonds in some consolidated company.

Mr. CUMMINS. No.

Mr. KING. The Senator from Iowa [Mr. CUMMINS], sotto voce, says no. I suppose he means by that that the power of eminent domain will be invoked and those individuals will be paid in cash for their holdings, and they will not take stock and bonds; but the point I am trying to get at is this: Does the Senator think that it is entirely constitutional to compel these corporations existing now under State laws—some of them being profitable—to disincorporate and come in under Federal charters and to dispose of their holdings to some other corporation?

Mr. KELLOGG. Mr. President, I do not think it would be constitutional to do that, nor do I think any such thing is intended. The power of the Federal Government under the commerce clause of the Constitution is supreme——

Mr. KING. It is supreme to regulate.

Mr. KELLOGG. Except as it is limited by provisions of the Constitution against taking private property without due process of law and in regard to the protection of personal and property rights, the means by which that regulation is to be carried out is entirely in the judgment of the Congress. Under the Constitution its power is supreme over all the power of the States. I have, therefore, no doubt of the constitutional power of the Federal Government, first, to take over all the railroads, to condemn them, and to pay for them and liquidate all stocks and bonds; and, second, to sell them to private ownership, for if the Government may buy it may also sell. I should doubt the power of the Congress simply to direct the consolidation of lines of railroad now existing without some such machinery.

Mr. POMERENE. Mr. President, may I suggest to the Senator from Minnesota also that in addition to the power to regulate commerce the Federal Government has the power to establish post offices and post roads?

Mr. KELLOGG. Yes; the power in that respect, of course, is plenary, so far as the commerce clause of the Constitution is concerned.

Mr. KING. I hope the Senator will pardon me for just one moment.

Mr. KELLOGG. Yes; though I have not yet answered the Senator's question in full.

Mr. KING. Excuse me.

Mr. KELLOGG. There might be some question with regard to authorizing a railroad to take over a competitor line as a whole while the competitor is owned by private individuals, its stockholders; and it may be that there may be difficulty in working out this proposition by reason of the fact that the Government must obtain the money with which to pay for the roads before they can be consolidated; in other words, that the stock, bonds, or securities of the consolidating companies must be sold and the money procured in order to pay for the properties before they are condemned.

It may be said that if the Government sells the securities before the properties are condemned it therefore is not the owner of the corporation condemned. That, I should think, is the only legal question involved in that case at all. The power, however, of course, is ample; and if this bill is unworkable in that regard, Congress has the power to change it. There is no doubt about the power of Congress to condemn two railroads, combine them, and sell their securities.

Mr. STERLING. Mr. President, will the Senator permit me to interrupt him?

Mr. KELLOGG. Yes.

Mr. STERLING. The statement just made by the Senator is a pretty broad one. I wonder if the Senator means that that shall also apply to roads whose business and whose lines are wholly intrastate, whose business is not interstate?

Mr. KELLOGG. I do not think it would apply unless such roads are engaged in interstate commerce; I have not made any such statement; but I doubt if the Senator would find a railroad in the United States—there may be a few—not engaged in interstate commerce. It would not, however, apply to purely intrastate property.

Mr. KING. Mr. President, if the Senator will pardon me, I can readily perceive that the Federal Government would have the right to condemn property which might be needed for the Federal Government's use, but it seems to me that the Federal Government would have no right, that it would be a usurpation and abuse of power for the Federal Government to condemn property merely for the purpose of getting title to it in order that it might sell it to somebody else. I can readily perceive that the Federal Government might condemn for its own use, and yet it would be an abuse of authority for it to use its power to authorize somebody else to condemn in order that a corporation might acquire the property of somebody else.

Mr. KELLOGG. I do not agree with the Senator. I think the Government has that power. I may be an extreme Federalist, but, in my judgment, it has that power. The Senator, of course, has to reach his own conclusion. I realize there are some objections to this plan, and I am anxious to have everyone consider both sides of it. That it is necessary if we are going to have strong competitive lines of railroads that there should be some consolidation with the weaker lines, I am thoroughly convinced, and they will be more capable of competing for the business of the country.

Mr. CUMMINS. Mr. President, may I interrupt the Senator for a moment?

Mr. KELLOGG. I yield.

Mr. CUMMINS. I should like to suggest to the Senator from Utah that our power to regulate commerce among the States is a very broad one, as he undoubtedly recognizes. No one questions that under the power to regulate commerce among the States we can authorize the incorporation of a railway company. I assume that has been very well established. If we can authorize the incorporation of a railway company for the purpose of doing interstate business under our power to regulate commerce, it seems to me to follow almost inevitably that we can authorize that company to acquire the property which it must have in order that it may carry on interstate business. But I did not rise to discuss that particular question; I only want to say to the Senator from Utah that all the lawyers, so far as I know, who have appeared before our committee representing the railway companies, while somewhat disturbed with regard to the process of compulsory consolidation, agree—I do not remember a dissenting voice—that the Government of the United States can, in its exercise of the power to regulate commerce, condemn the property of a railway company already engaged in interstate commerce and chartered under the laws of a State. They all agree, so far as I can remember, that the power which the Government can exercise itself and for itself in that respect can be conferred upon a corporation organized under the laws of the United States. If I am not right in regard to that concurrence of opinion among the lawyers representing the railways, I hope I will be corrected by the Senator from Minnesota.

Mr. KELLOGG. Mr. President, no lawyer who appeared before the committee or with whom I have talked has seriously questioned the constitutionality of a law which prescribes a system of consolidation of railroads, and it is my opinion that such a provision is constitutional. As I have said, some of them seriously object to it on various grounds; and it may perhaps shock the sensibilities of men to say that a road which is poorly constructed or badly operated and not earning a good income shall be taken and a consolidation enforced with a prosperous road that was wisely constructed and is well operated. It may be that such consolidation will tend too much to deaden the enterprise of the prosperous and efficient roads in the country. My own judgment is that we will never have to resort—I doubt if we should resort—to compulsory consolidation.

Mr. KING. Mr. President, is it not somewhat of a shock also to follow this bill to its logical sequence, which would result in the affirmation of the doctrine that no State shall hereafter—that is, after the passage of this bill—have the power to incorporate a company to engage in interstate commerce?

Mr. KELLOGG. I do not think so; I do not see any reason why the Congress should not provide for the incorporation of interstate railways. We must remember that at the present time probably 85 per cent of the business of the country is interstate commerce. We have ceased to be provincial in any part of the country. What John Marshall foretold nearly a hundred years ago has come true: The products of the remotest parts of the country are used in every other part; the great wheat-producing and cattle-producing valley of the Mississippi is necessary to the life of New England and of California; the fruits from the sunny land of the Pacific are used everywhere; coal is transported to all parts of the country; and the very life of the people is dependent upon transportation all over the United States. The time has passed when railroads can be governed or controlled by any local or domestic conditions, because the great transportation of the country is interstate. I do not wish to build up the power of the Federal Government and extend the supervision of meddlesome, stupid boards over all the business of this country; not at all; it should not be done. I am desirous of maintaining the State commissions and State authorities in their police regulations, because they are at the door of the people and they can reach them; but it is impossible, in all respects, to have the great transportation systems of the country controlled by 48 separate States; it can not be done. I do not wish, however, to have the railroads managed by great central bureaus from Washington. I have seen too much of that in the last two years.

Mr. CUMMINS. Mr. President, if the Senator will pardon me once again, I want Senators who are here to bear in mind that the objection just made by the Senator from Utah is not to the consolidation feature of this bill. If the objection is well taken—and we can consider that hereafter—it relates to an entirely different part of the bill, namely, the one which requires the consent of the Interstate Commerce Commission before railroads are constructed. I do not want to get the consolidation section unduly mixed up with that proposition.

Mr. FRELINGHUYSEN. Mr. President——

Mr. KELLOGG. I yield to the Senator.

Mr. FRELINGHUYSEN. I should like to ask the Senator this question: Providing the constitutional objections are overcome, is it not true that the efficiency of the transportation systems will be greatly improved and the transportation systems more economically managed by consolidation than otherwise?

Mr. KELLOGG. To a certain extent I think that is true. Beyond a certain degree I think it would be inefficient. I think all the great principal lines of transportation should be managed in separate companies, as this bill proposes.

Mr. President, I do not wish to be understood as objecting to Government regulation. For many years I have been in favor of regulation of the issuing of securities, and I think it would have prevented many a scandal in our financial history. I recommended it more than 10 years ago and urged it upon the Interstate Commerce Commission. I, of course, realize that rates must be regulated, and service must be regulated to some extent, but we must not go too far. This bill, I think, goes to the limit. It not only regulates the issuance of securities and rates, which, of course, must be regulated, but it practically fixes the wages of employees, regulates the securities which are to be issued, takes away the percentage of earnings above 6 per cent, and gives the power to route traffic; and, in my judgment, while many of these provisions are wise they go as far as I am willing to go in public regulation if the competitive system is to be maintained.

Mr. President, I do not expect that these consolidations will produce as uniform a system of earnings or uniform earning capacity as the Senator from Iowa does. I think they will very greatly aid in equalizing the earning capacity of roads, and together with the permissive pooling, which must be done under the Interstate Commerce Commission, will go far toward securing these poorer systems which need help. I do not expect, however, that lines like the Chicago, Milwaukee & St. Paul, reaching from Chicago to Milwaukee, St. Paul, Portland, and Seattle, a great transcontinental system which to-day is not earning the interest on its bonds, can consolidate so that it will have the same earnings as the Union Pacific, which is earning $17,000,000 surplus over its fixed charges. The Milwaukee should have fair and reasonable rates, its share of what will produce a fair return on all property in the district, and it must hustle for business, improve its service, add to its earnings in that way, and get what it can. The object of this bill is not to take from the Union Pacific and give to the Milwaukee, although that might go much further toward equalizing earnings, but it is to take the surplus over and above what the Congress believes to be a fair return which the Union Pacific should earn. While I am willing to admit that there are grave objections to that, that is the plan provided in the bill.

There is one advantage to be obtained by the system of Federal reincorporation and consolidation provided for in this bill. There is a prevailing idea throughout the country that the railroads to-day are enormously overcapitalized and that the public has been paying excessive rates to pay dividends on watered stock. This system of reincorporation and consolidation proposes that the capitalization shall be on the basis of valuation by the Interstate Commerce Commission which was provided for in the act of 1913, and that hereafter no stock shall be issued which does not represent money or property for the face value thereof, and that the issuance of bonds shall be under the control of the commission. When this is done it will settle once and for all that question, and there will be an ascertained value of the property on which to base the rates of income of all railroads in the United States, for, after all, the value of the property devoted to the public use must be the controlling factor in making rates. It is all right to say that a reasonable rate should be fixed without regard to the value of the property devoted to the public use, but that is not done and never will be done, and as Congress has no power to fix a rate which will deny to a carrier a reasonable income upon its property, that value should be, in fact must be, determined. The valuation by the commission will be completed in a couple of years more, and in the meantime the commission may use all the information at its disposal in fixing the fair value of the roads in each district. There is no doubt that some roads are very much overcapitalized and some roads are very much undercapitalized. As a whole, from all the information I can gather from talking with members of the commission and from my own experience, the total value of the railroads in the United States thus found will not be less than the present capitalization, stock, and bonds.

I ask to have printed in the RECORD, as Appendix G, as a part of my remarks, two statements showing the book valuation and the capitalization—stock and bonds stated separately—of all railroads in the United States—classes 1, 2, and 3—together with a letter from the secretary of the Interstate Commerce Commission explaining the same.

These statements include the capitalization and book value of all the railroads, while most of the statistics of the commission are made up on the basis of class 1 railroads. I believe that the class 1 roads in 1917 yielded, however, from 95 to 97½ per cent of the operating revenue and covered 89.52 per cent of the operating mileage of all roads.

Furthermore, these statistics do not show the money borrowed by railroads and carried in short-term notes as unfunded indebtedness, so that the capitalization is really somewhat larger than these figures.

This capitalization is also made up by excluding all duplications of stocks and bonds; that is, where one company is holding the stocks and bonds of another the stocks and bonds so held are excluded. It is only the stock and bonds in the hands of the public that are here given. The total capitalization of all the railroads on December 31, 1917, was probably about $17,000,000,000 and the book value about $18,500,000,000.

Mr. KING. Is that classes 1, 2, and 3, or just class 1?

Mr. KELLOGG. That is all railroads.

Now, it is contended that the book value is not a fair basis. It is not, of course. In the case of some roads the book value far exceeds the value of the roads. In respect of other roads it does not. The capitalization probably would be a fairer estimate of the value of the property, because many of the roads which issued stock in the early days without any value have been foreclosed and reorganized.

The water has been squeezed out during the last 40 or 50 years, and additional capital has been invested. Some roads have never capitalized all they have put in. For instance, the Burlington has a book value of about $475,000,000, which I do not think is excessive. Its stock and bond issue is about $275,000,000. It has followed the policy of not capitalizing all of the money put in. Many other roads are in the same condition, so I should say that the capitalization is more accurate than the book value; but in all the statistics which I have furnished to the Senate I have used book value, because it is on that basis that the commission has made up many of these statistics.

Mr. POMERENE. Mr. President, is it not a fact also that through the process of these receiverships many of these roads have been bought in at very much less than their actual value?

Mr. KELLOGG. Oh, yes. Take the Chicago Great Western Railroad, which went through the hands of a receiver a few years ago. It was recapitalized when it went through the hands of a receiver for much less than it was before, but I think much more than it was worth, and since then its capital has been charged off until I was informed by the president the other day that it is now charged down below what the commission probably will find its actual value to be and certainly below what it could be built for to-day; but there are others, like the Missouri, Kansas & Texas, which have a book value of $100,000 a mile, which is absurd on its face. So, I say, this bill does not propose to take those values, or stock and bond values, for the basis of rate making. It proposes to take the value which the commission shall find from time to time in each rate-making district.

Now, I wish to say a word about the Government control of issuance of securities.

It is proposed in this bill, section 24, that the issuance of all railroad securities shall be under the control of the board of railway transportation. It is perfectly evident and conceded by the States that the issuance of railroad securities can not be left to the conflicting laws of various States. For instance, the Milwaukee road would have to obtain the consent, on terms fixed by the State, of a dozen States, in order to issue any general security upon its property. The same condition, to a greater or less extent, exists as to all interstate roads. It is, therefore, proposed to place this under one Government board.

While the railroads should be given sufficient latitude to place their securities on different rates of interest and income, there should be some governmental authority to prevent the abuse of this power as it has existed in the years past. I realize, of course, when the country was new and men were building railroads ahead of civilization, that securities could not be sold except on a speculative basis, with an opportunity to make more than an ordinary rate of interest. I saw the first mile of railroad built west of the Missouri River. That great country has been developed by men who were willing to risk the investment in constructing lines of transportation into the country before it was settled. Most of these roads have been through the hands of a receiver one, two, or three times, and the water which was originally in the stock has been squeezed out, and in some cases the value of the property now exceeds the capitalization, while in other cases, of course, the capitalization far exceeds the value of the property. I think, however, the time has come when the interests of the railroad and the investor require Government supervision of the issuance of these securities, in order that they may inure to the benefit of the investing public and will prevent some of the gross scandals which have occurred in railroad financing as well as in other financing. There is no danger at this time of any such financing, because you could not sell railroad securities at any price. But when prosperity returns to the roads, it is wise to have such regulation.

Mr. FRELINGHUYSEN. Mr. President——

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from New Jersey?

Mr. KELLOGG. I yield to the Senator.

Mr. FRELINGHUYSEN. I should like to ask the Senator if he believes that the stock-jobbing exploitation of the Rock Island could have occurred if this provision had been in force at that time?

Mr. KELLOGG. It could not; nor of the Alton, nor of some other roads with which I am familiar. I was employed by the Interstate Commerce Commission some years ago, if I may be pardoned for mentioning it, to investigate the Alton when its capitalization was raised in a short time from about $24,000,000 to over $100,000,000—my recollection is to about $120,000,000—without adding more than $20,000,000 to the real value of the property, to the real investment. That could not occur under this provision

I may be mistaken in this, but my recollection is—and the chairman will correct me if I am wrong—that all of the State commissions approved this plan.

Mr. CUMMINS. I think the Senator is right about that. It is one of the few phases of the matter upon which there is practical unanimity among State commissions, so far as the enlargement of the Federal power is concerned. They are rather slow to concede that enlargement, but, as I recall it, the national association of State commissions and State utilities bodies has more than once passed a resolution providing for some such plan as is provided in the bill.

Mr. FRELINGHUYSEN. Mr. President, I might add that, in addition to that, the United States Chamber of Commerce took a referendum vote upon this question, and it was carried by a large majority, with very few votes in opposition.

Mr. KELLOGG. Undoubtedly there is necessity for such legislation, and, as I said before, some years ago I urged it upon the Interstate Commerce Commission after the investigation of the Alton, and my recollection is the commission recommended to Congress a uniform system. The House passed the bill, and I think the Senate committee approved the bill. But I am not sure about that; I was not in the Senate at that time.

Mr. CUMMINS. The Senator is right.

Mr. KELLOGG. One of the most important features of this bill is the provision for creating regional boards for adjusting the disputes between the railroads and their employees and the prevention of conspiracies for the purpose of hindering and delaying interstate transportation. These are sections 25 to 31, inclusive. It is unnecessary for me to discuss the details of the plans for the adjustment of wage disputes. Such provision is absolutely necessary, and the only question is the formation of such a tribunal. I understand this movement meets generally the approval of the employees, so far as the general construction of the boards is concerned, though I believe there are some changes recommended so that all employees, including unorganized employees, may be represented.

Mr. KING. Mr. President——

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from Utah?

Mr. KELLOGG. I yield to the Senator.

Mr. KING. I have wondered, in reading the bill, whether the committee, in the consideration of this branch of the bill, took into account the proposition that the public perhaps should be represented upon these boards. As I recall the provision now being discussed by the Senator, there are four members to be selected from the employees and four from the representatives of the corporations.

In view of the fact that there is so much governmental supervision here, and the theory of the bill revolves around the central proposition that the interests of the public are paramount, did it not occur to the committee that perhaps the interests of the Government would best be subserved if the personnel of this board should be changed somewhat and the public be represented?

Mr. KELLOGG. It did occur to the committee and was discussed at considerable length. The committee provided for representation on the part of the public on the transportation board. In other words, no finding of these boards affecting wages and working conditions can be put into force without the approval of the transportation board. It was thought that the public interests would be protected by that supervision. Of course, it is important that the railroads on the one hand and the employees on the other should not fix absolutely the burdens which are to be placed on the public in the nature of transportation charges.

Mr. STANLEY. Mr. President——

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from Kentucky?

Mr. KELLOGG. Yes; I yield.

Mr. STANLEY. Does the right inure to the board except in cases where there is a division of opinion in the committee on wages and working conditions? Is the approval of the board still requisite?

Mr. KELLOGG. It is still requisite before they are put into force.

I understand this movement meets the approval generally of the employers and employees. But the feature which is to-day the strong center of discussion is that which prevents conspiracies and tie-ups of railroads by what are commonly known as strikes.

Under our industrial and civic organizations, with large cities and manufacturing centers as consumers, and wide expanse of agricultural country producing necessaries of life, the daily operation of the transportation systems of the country is not only necessary to prosperity but it is necessary to the lives of the people of this country. If they were to be stopped for any considerable length of time, for any cause, our system of industrial organization and civic centers must be abandoned and the people resort to the primitive mode of life, where each man produces the necessaries sufficient for his existence.

I believe, of course, in the principles of personal liberty contained in the Bill of Rights above all other guaranties conceived by the minds of men. I believe those principles guaranteeing individual liberty, the right to labor and to enjoy its fruits, the right to home and property, to religious beliefs, and freedom of speech and action, to be the great principles on which our very Government and civilization depend, for which our race struggled for more than 600 years. I would not imperil those rights for any material advantages, but, under the modern system of transportation and communication, where the necessaries produced in one part of the country support life in another, where men in all parts of the country and the world may communicate with each other and act under common impulses and by common agreement, the Government in the past has been compelled to step in and prevent monopoly and restraint of trade by combinations, in order to protect the people in their individual rights. And I do not know of any reason why any class of people should not be prohibited from conspiring or confederating to paralyze the transportation of the country, to stop the wheels of industry of the country, and to overthrow our Government, because, if any class of men may do one of these things, we may find them in the halls of Congress, as we have done, demanding the enactment of laws under threat of starvation of the public.

I am not unsympathetic with the rights of labor. As the chairman of the committee said, I know what it means to labor. I earned my own living from the time I was 13 years of age. I firmly believe that labor should be well paid, prosperous, and happy, and families well educated, so that they will become good citizens, because upon their prosperity, their stability, their intelligence, rests the hope of the Nation.

The farmer's boy, the laborer's son, must have before him the hope of the highest places in industry and in civic life. These are the mainsprings which make a great progressive civilization. I am opposed to taking from them the right and the hope that every man may benefit by his own ingenuity, his enterprise, his brains, and his capacity. I would not allow anyone to level or attempt to level all human endeavor. The exploded theory of the socialists undertakes to do that. While I believe in collective bargaining and the protection of labor, the time has come in this country when we have to determine whether this Government is by all the people or by any class of people. It is in the interest of labor. It is in the interest of the great masses that they should have the opportunity to reach higher and better positions. That hope should always be held out to them by the Government by protecting them in their rights.

I am anxious to welcome the time when antagonisms between labor and capital disappear, so that the American people may enjoy happiness and prosperity, free from the menace of domestic disaster, induced by industrial differences of far-reaching effect.

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APPENDIX A.

*Traffic railways of Class I.*

| | |
|---|---|
| Ton-miles (revenue and nonrevenue): | |
| Test period average (1915, 1916, 1917) | 363, 538, 162, 000 |
| Year 1917 | 427, 341, 924, 000 |
| Year 1918 | 434, 997, 928, 000 |
| Year 1918 to Oct. 31 | 367, 802, 998, 000 |
| Year 1919 to Oct. 31 | 328, 792, 002, 000 |
| Decreased, 1919 under 1918, per cent | 10. 6 |
| Year 1919 (estimated on 10 months' results) | 388, 888, 148, 000 |
| Passenger-miles: | |
| Test period average (1915, 1916, 1917) | 34, 286, 109, 000 |
| Year 1917 | 39, 480, 197, 000 |
| Year 1918 | 42, 605, 902, 000 |
| Year 1918 to Aug. 31 | 28, 793, 142, 000 |
| Year 1919 to Aug. 31 | 30, 617, 955, 000 |
| Increase, 1919 over 1918, per cent | 6. 3 |
| Year 1919 (estimated on 8 months' results) | 45, 290, 074, 000 |

*Ton-miles (revenue and nonrevenue) of railways of Class I.*

| | |
|---|---|
| 9 months' period ended Dec. 31, 1917 | 333, 622, 535, 000 |
| 9 months' period ended Dec. 31, 1918 | 343, 681, 555, 000 |

APPENDIX B.

*Federal earnings compared with corporate fixed charges, 9 months to Sept. 30, 1919.*

RECAPITULATION.

| District. | Miles operated. | Net operating income (Federal operation). | Fixed charges for period. | Balance over fixed charges. |
|---|---|---|---|---|
| Roads showing balances: | | | | |
| Eastern district, 23 roads | 18, 052. 65 | $95, 008, 866 | $62, 318, 180 | $32, 690, 683 |
| Southern district, 12 roads | 12, 693. 63 | 35, 716, 158 | 24, 061, 924 | 11, 654, 234 |
| Western district, 22 roads | 52, 822. 10 | 140, 900, 353 | 74, 113, 211 | 66, 787, 142 |
| Total, 57 roads | 83, 567. 78 | 271, 625, 377 | 160, 493, 315 | 111, 132, 062 |
| Roads showing deficits: | | | | |
| Eastern district, 42 roads | 40, 147. 72 | 42, 291, 404 | 129, 199, 205 | [1] 86, 907, 802 |
| Southern district, 23 roads | 30, 292. 43 | 19, 275, 888 | 41, 813, 954 | [1] 22, 538, 066 |
| Western district, 43 roads | 74, 946. 03 | 65, 790, 482 | 124, 134, 880 | [1] 58, 344, 398 |
| Total, 108 roads | 145, 386. 18 | 127, 357, 774 | 295, 148, 040 | [1] 167, 790, 266 |
| Net total: | | | | |
| Eastern district, 65 roads | 58, 199. 77 | 137, 300, 270 | 191, 517, 386 | [1] 54, 217, 116 |
| Southern district, 35 roads | 42, 986. 06 | 54, 992, 046 | 65, 875, 878 | [1] 10, 883, 832 |
| Western district, 65 roads | 127, 768. 13 | 206, 690, 835 | 198, 248, 091 | [1] 8, 442, 744 |
| Total, 165 roads | 228, 953. 96 | 398, 983, 151 | 455, 641, 355 | [1] 56, 658, 204 |

[1] Deficit.

NOTE.—"Net operating income" is the balance of operating revenues after payment of operating expenses, taxes chargeable to railway operation, equipment, and joint facility rentals, and is taken from the monthly returns of the roads to the Interstate Commerce Commission. The entries under "fixed charges" are based upon returns for the year 1918. They comprise interest on funded and unfunded debt, rents for lease of road, corporate and special war taxes not chargeable to railway operation, expenses of maintaining corporate organizations, and other income charges for the current year. Neither dividends nor lap-over accounts with the Railroad Administration relating to earlier years are included. Actual fixed charges for 1919 will be somewhat greater than indicated by these figures, and the relative ability of the railway companies to meet these charges somewhat less. "Balance over fixed charges" represents the amount available for dividends, for appropriations, and for surplus.

EASTERN DISTRICT.

| Road. | Miles operated. | Net operating income (Federal operation). | Fixed charges for period. | Balance over fixed charges. |
|---|---|---|---|---|
| Ann Arbor | 301. 12 | $393, 893 | $283, 148 | $110, 745 |
| Atlantic & St. Lawrence | 172. 11 | [1] 711, 407 | 417, 597 | [1] 1, 129, 004 |
| Atlantic City | 177. 01 | 871, 468 | 220, 586 | 650, 882 |
| Baltimore & Ohio | 5, 151. 66 | 3, 178, 338 | 16, 573, 100 | [1] 13, 394, 762 |
| Baltimore, Chesapeake & Atlantic | 87. 61 | [1] 36, 784 | 114, 604 | [1] 151, 388 |
| Bangor & Aroostook | 632. 85 | 46, 868 | 799, 382 | [1] 752, 514 |
| Bessemer & Lake Erie | 217. 25 | 2, 354, 661 | 1, 954, 562 | 400, 099 |
| Boston & Maine | 2, 258. 61 | 3, 308, 856 | 6, 422, 472 | [1] 3, 113, 616 |
| Buffalo & Susquehanna Corporation | 296. 56 | [1] 252, 523 | 248, 077 | [1] 500, 600 |
| Buffalo, Rochester & Pittsburgh | 589. 73 | [1] 746, 403 | 1, 791, 913 | [1] 2, 538, 316 |
| Central New England | 301. 30 | [1] 106, 989 | 624, 430 | [1] 731, 419 |
| Central R. R. of New Jersey | 685. 02 | 1, 940, 765 | 4, 126, 903 | [1] 2, 186, 138 |
| Central Vermont | 411. 20 | [1] 716, 634 | 583, 613 | [1] 1, 300, 247 |
| Chicago & Eastern Illinois | 1, 131. 46 | [1] 742, 921 | 3, 293, 281 | [1] 4, 036, 202 |
| Chicago & Erie | 269. 56 | 281. 787 | 484, 267 | [1] 202, 480 |
| Chicago, Indianapolis & Louisville | 657. 06 | 602, 510 | 845, 216 | [1] 242, 706 |
| Chicago, Terre Haute & Southeastern | 374. 18 | [1] 213, 151 | 579, 643 | [1] 792, 794 |
| Cincinnati, Lebanon & Northern | 76. 17 | [1] 26, 106 | 82, 167 | [1] 108, 273 |
| Cincinnati, Indianapolis & Western | 321. 68 | [1] 387, 341 | 155, 271 | [1] 542, 612 |

[1] Deficit.

*Federal earnings compared with corporate fixed charges, etc.*—Contd.

EASTERN DISTRICT—continued.

| Road. | Miles operated. | Net operating income (Federal operation). | Fixed charges for period. | Balance over fixed charges. |
|---|---|---|---|---|
| Cincinnati Northern | 251.60 | $363,384 | $67,113 | $296,271 |
| Cleveland, Cincinnati, Chicago & St. Louis | 2,395.77 | 10,216,706 | 4,484,384 | 5,732,322 |
| Cumberland Valley | 163.65 | 281,191 | 180,013 | 101,178 |
| Delaware & Hudson | 875.01 | 1,754,698 | 3,933,544 | [1] 2,178,846 |
| Delaware, Lackawanna & Western | 956.04 | 8,697,026 | 5,504,506 | 3,192,520 |
| Detroit & Mackinac | 381.90 | [1] 112,405 | 83,721 | [1] 196,126 |
| Detroit & Toledo Shore Line | 61.90 | 795,398 | 137,743 | 657,655 |
| Detroit, Toledo & Ironton | 456.41 | [1] 479,233 | 119,956 | [1] 399,189 |
| Elgin, Joliet & Eastern | 823.52 | 3,015,854 | 1,817,843 | 1,198,011 |
| Erie | 1,989.12 | [1] 179,252 | 10,709,825 | [1] 10,889,077 |
| Grand Rapids & Indiana | 569.93 | 364,222 | 490,396 | [1] 126,174 |
| Hocking Valley | 350.20 | 1,433,915 | 1,046,477 | 387,438 |
| Kanawha & Michigan | 176.60 | 132,532 | 301,364 | [1] 168,832 |
| Lake Erie & Western | 902.95 | [1] 38,022 | 655,131 | [1] 693,153 |
| Lehigh & Hudson River | 96.60 | 235,203 | 149,045 | 86,158 |
| Lehigh & New England | 231.25 | 580,525 | 368,663 | 211,863 |
| Lehigh Valley | 1,435.94 | 2,762,501 | 5,592,630 | 2,830,129 |
| Long Island | 398.38 | 2,980,730 | 2,237,645 | 743,085 |
| Maine Central | 1,216.16 | [1] 991,743 | 1,486,980 | [1] 2,478,723 |
| Maryland, Delaware & Virginia | 82.62 | [1] 40,078 | 116,799 | [1] 156,877 |
| Michigan Central | 1,861.77 | 12,453,062 | 4,782,675 | 7,670,387 |
| Monongahela | 108.25 | 802,958 | 265,331 | 537,627 |
| New York Central | 6,075.79 | 35,871,901 | 33,500,093 | 2,371,808 |
| New York, Chicago & St. Louis | 574.21 | 3,456,461 | 1,147,603 | 2,308,855 |
| New York, New Haven & Hartford | 1,965.79 | 4,361,478 | 15,337,916 | [1] 10,976,438 |
| New York, Ontario & Western | 569.49 | 1,078,667 | 1,122,803 | [1] 44,139 |
| New York, Philadelphia & Norfolk | 121.57 | 669,111 | 197,471 | 471,640 |
| New York, Susquehanna & Western | 135.97 | [1] 76,905 | 519,262 | [1] 596,167 |
| Pennsylvania Lines—East and West | 7,122.34 | 22,326,695 | 32,810,108 | [1] 10,483,413 |
| Pere Marquette | 2,232.44 | 5,230,161 | 1,465,991 | 3,764,170 |
| Perkiomen | 41.83 | 370,399 | 90,979 | 279,420 |
| Philadelphia & Reading | 1,127.17 | 2,041,895 | 4,902,758 | [1] 2,860,863 |
| Pittsburgh & Lake Erie | 224.56 | 2,759,655 | 2,035,219 | 724,436 |
| Pittsburgh & West Virginia | 63.23 | [1] 535,903 | 64,155 | [1] 600,058 |
| Pittsburgh, Cincinnati, Chicago & St. Louis | 2,383.61 | 2,820,832 | 4,848,655 | [1] 2,027,823 |
| Pittsburgh & Shawmut R. R. Co | 103.04 | [1] 167,442 | 583,311 | [1] 750,753 |
| Port Reading | 21.16 | 582,164 | 79,312 | 502,852 |
| Rutland | 415.11 | 120,411 | 404,350 | [1] 283,939 |
| Staten Island Rapid Transit | 23.54 | 134,560 | 270,652 | [1] 136,092 |
| Toledo & Ohio Central | 435.66 | 103,742 | 1,040,036 | [1] 936,294 |
| Toledo, St. Louis & Western | 454.17 | 471,553 | 847,506 | [1] 375,953 |
| Ulster & Delaware | 128.88 | [1] 120,663 | 106,751 | [1] 227,414 |
| Wabash | 2,503.86 | 204,421 | 2,619,146 | [1] 2,414,725 |
| West Jersey & Seashore | 361.18 | 593,039 | 301,775 | 291,264 |
| Western Maryland | 701.31 | 74,343 | 2,159,483 | [1] 2,085,140 |
| Wheeling & Lake Erie | 511.60 | 861,635 | 930,029 | [1] 68,394 |

SOUTHERN DISTRICT.

| Road. | Miles operated. | Net operating income (Federal operation). | Fixed charges for period. | Balance over fixed charges. |
|---|---|---|---|---|
| Alabama & Vicksburg | 141.49 | $119,405 | $131,516 | [1] $12,111 |
| Alabama Great Southern | 312.41 | 827,624 | 515,432 | 312,192 |
| Atlanta & West Point | 93.19 | 384,991 | 23,205 | 361,786 |
| Atlanta, Birmingham & Atlantic | 639.88 | [1] 777,187 | 178,211 | [1] 955,398 |
| Atlantic Coast Line | 4,863.16 | 4,339,685 | 5,045,153 | [1] 705,468 |
| Carolina, Clinchfield & Ohio | 282.96 | 867,114 | 1,143,287 | [1] 276,173 |
| Central of Georgia | 1,918.29 | 1,209,512 | 1,958,439 | [1] 748,927 |
| Charleston & Western Carolina | 342.50 | 148,365 | 214,625 | [1] 66,260 |
| Chesapeake & Ohio | 2,503.10 | 8,142,932 | 6,992,071 | 1,150,861 |
| Cincinnati, New Orleans & Texas Pacific | 337.27 | 734,363 | 1,299,779 | [1] 565,416 |
| Florida East Coast | 764.75 | 865,618 | 1,496,462 | [1] 630,844 |
| Georgia & Florida | 348.10 | [1] 278,439 | 92,340 | [1] 370,779 |
| Georgia Railroad | 328.90 | 887,127 | 538,372 | 348,755 |
| Georgia Southern & Florida | 402.05 | 72,481 | 260,826 | [1] 188,345 |
| Gulf, Mobile & Northern | 428.23 | [1] 70,036 | 72,348 | [1] 142,384 |
| Illinois Central | 4,791.01 | 3,739,168 | 9,034,733 | [1] 5,295,565 |
| Louisville & Nashville | 5,013.35 | 7,443,393 | 6,502,724 | 940,669 |
| Louisville, Henderson & St. Louis | 199.80 | 352,127 | 143,197 | 208,930 |
| Mississippi Central | 164.00 | [1] 102,902 | 140,889 | [1] 243,791 |
| Mobile & Ohio | 996.39 | [1] 956,875 | 1,250,306 | [1] 2,207,181 |
| Nashville, Chattanooga & St. Louis | 1,247.03 | 590,390 | 1,124,582 | [1] 534,192 |
| New Orleans & Northeastern | 203.73 | 243,406 | 394,793 | [1] 151,387 |
| New Orleans Great Northern | 284.60 | 48,844 | 337,221 | [1] 288,377 |
| Norfolk & Western | 2,088.02 | 8,120,570 | 4,334,832 | 3,785,738 |
| Norfolk Southern | 906.92 | [1] 46,384 | 817,785 | [1] 864,169 |
| Northern Alabama | 112.50 | 41,435 | 84,827 | [1] 43,392 |
| Richmond, Fredericksburg & Potomac | 81.52 | 2,284,981 | 333,413 | 1,951,568 |
| Seaboard Air Line | 3,563.21 | 1,939,992 | 5,120,677 | [1] 3,180,685 |
| Southern | 6,982.87 | 7,016,567 | 11,106,284 | [1] 4,089,717 |
| Southern Ry. in Mississippi | 278.39 | [1] 101,776 | 9,438 | [1] 111,214 |
| Tennessee Central | 293.07 | [1] 366,858 | 499,433 | [1] 866,291 |
| Virginian | 522.36 | 1,730,427 | 1,444,152 | 286,275 |
| Washington Southern | 35.57 | 1,585,375 | 144,760 | 1,440,615 |
| Western Ry. of Alabama | 133.42 | 386,595 | 77,835 | 308,760 |
| Yazoo & Mississippi Valley | 1,381.99 | 3,570,016 | 3,011,931 | 558,085 |

[1] Deficit.

*Federal earnings compared with corporate fixed charges, etc.*—Contd.

WESTERN DISTRICT.

| Road. | Miles operated. | Net operating income (Federal operation). | Fixed charges for period. | Balance over fixed charges. |
|---|---|---|---|---|
| Arizona Eastern | 377.74 | $417,998 | $642,869 | [1] $224,871 |
| Atchison, Topeka & Santa Fe | 8,645.81 | 25,897,394 | 12,458,321 | 13,439,073 |
| Beaumont, Sour Lake & Western | 118.75 | [1] 39,974 | 92,621 | [1] 132,595 |
| Chicago & Alton | 1,050.51 | 196,075 | 2,876,246 | [1] 2,680,171 |
| Chicago & North Western | 8,090.45 | 11,428,716 | 8,220,466 | 3,208,250 |
| Chicago, Burlington & Quincy | 9,372.31 | 19,349,915 | 7,147,343 | 12,202,572 |
| Chicago Great Western | 1,496.06 | 976,512 | 1,276,141 | [1] 299,629 |
| Chicago, Milwaukee & St. Paul | 10,647.66 | 2,037,833 | 13,504,085 | [1] 11,466,252 |
| Chicago, Peoria & St. Louis | 247.19 | [1] 663,936 | 151,051 | [1] 814,987 |
| Chicago, Rock Island & Gulf | 474.81 | 342,409 | 763,322 | [1] 420,913 |
| Chicago, Rock Island & Pacific | 7,594.60 | 7,022,600 | 7,910,448 | [1] 887,848 |
| Chicago, St. Paul, Minneapolis & Omaha | 1,749.19 | 1,882,688 | 1,942,141 | [1] 59,453 |
| Colorado & Southern | 1,100.05 | 1,303,732 | 1,763,151 | [1] 459,419 |
| Denver & Rio Grande | 2,595.11 | 4,079,076 | 6,545,247 | [1] 2,466,171 |
| Duluth & Iron Range | 292.49 | 3,078,008 | 527,817 | 2,550,191 |
| Duluth, Missabe & Northern | 411.06 | 10,230,271 | 1,290,587 | 8,939,684 |
| Duluth, South Shore & Atlantic | 599.29 | 66,036 | 678,010 | [1] 611,974 |
| El Paso & Southwestern | 1,027.87 | 2,389,008 | 2,429,945 | [1] 40,937 |
| Forth Worth & Denver City | 554.14 | 2,275,615 | 484,475 | 1,791,140 |
| Fort Worth & Rio Grande | 235.22 | [1] 21,219 | 134,682 | [1] 155,901 |
| Galveston, Harrisburg & San Antonio | 1,381.90 | 2,552,069 | 2,196,033 | 356,036 |
| Great Northern | 8,233.52 | 10,084,185 | 10,449,425 | [1] 365,240 |
| Green Bay & Western | 252.39 | 12,448 | 52,352 | [1] 39,904 |
| Gulf, Colorado & Santa Fe | 1,935.11 | 1,083,455 | 2,068,211 | [1] 984,756 |
| Houston & Texas Central | 847.06 | 829,116 | 489,491 | 339,625 |
| Houston, East & West Texas | 190.94 | 286,803 | 121,292 | 165,511 |
| International & Great Northern | 1,159.50 | [1] 1,042,424 | 1,153,062 | [1] 2,195,486 |
| Kansas City, Mexico & Orient | 272.16 | [1] 430,917 | 61,655 | [1] 492,572 |
| Kansas City, Mexico & Orient Ry. of Texas | 465.71 | [1] 553,912 | 190,082 | [1] 743,994 |
| Kansas City Southern | 774.40 | 966,696 | 1,592,307 | [1] 625,611 |
| Los Angeles & Salt Lake | 1,168.16 | 2,061,814 | 2,096,917 | [1] 35,103 |
| Louisiana & Arkansas | 302.34 | [1] 177,184 | 176,079 | [1] 353,263 |
| Louisiana Western | 207.74 | 849,059 | 126,440 | 722,619 |
| Midland Valley | 388.21 | 375,243 | 361,135 | 14,108 |
| Mineral Range | 101.11 | [1] 72,328 | 69,248 | [1] 141,576 |
| Minneapolis & St. Louis | 1,646.75 | 26,595 | 1,736,360 | [1] 1,709,765 |
| Minneapolis, St. Paul & Sault Ste. Marie | 4,243.41 | 3,465,239 | 5,487,165 | [1] 2,021,926 |
| Missouri, Kansas & Texas | 1,713.98 | 3,428,389 | 3,750,058 | [1] 321,669 |
| Missouri, Kansas & Texas of Texas | 1,796.04 | [1] 415,999 | 1,900,115 | [1] 2,316,114 |
| Missouri Pacific | 7,172.77 | 4,275,498 | 7,885,064 | [1] 3,609,566 |
| Morgan's Louisiana & Texas Railroad & Steamship Co | 400.67 | 438,611 | 410,924 | 27,687 |
| New Orleans, Texas & Mexico | 191.22 | 94,072 | 811,587 | [1] 717,515 |
| Northern Pacific | 6,581.24 | 12,371,141 | 12,223,139 | 148,002 |
| Northwestern Pacific | 527.37 | 838,953 | 1,031,839 | [1] 192,886 |
| Oregon Short Line | 2,347.59 | 7,005,515 | 4,902,713 | 2,102,802 |
| Oregon-Washington Railroad & Navigation Co | 2,070.02 | 2,689,385 | 3,381,528 | [1] 692,143 |
| Pan Handle & Santa Fe | 772.98 | [1] 504,482 | 774,369 | [1] 1,278,851 |
| Quincy, Omaha & Kansas City | 255.03 | [1] 136,737 | 40 | [1] 136,777 |
| St. Joseph & Grand Island | 258.46 | 24,614 | 176,066 | [1] 151,452 |
| St. Louis, Brownsville & Mexico | 548.18 | 993,843 | 592,502 | 401,341 |
| St. Louis-San Francisco | 4,761.28 | 10,812,975 | 9,973,408 | 839,567 |
| St. Louis, San Francisco & Texas | 134.41 | [1] 128,717 | 36,193 | [1] 164,910 |
| St. Louis Southwestern | 939.80 | 1,862,642 | 1,621,391 | 241,251 |
| St. Louis Southwestern of Texas | 814.70 | [1] 979,304 | 444,746 | [1] 1,424,050 |
| San Antonio & Aransas Pass | 736.52 | [1] 764,521 | 742,910 | [1] 1,507,431 |
| Southern Pacific | 7,049.60 | 20,616,640 | 33,705,044 | [1] 13,088,404 |
| Spokane, Portland & Seattle | 538.23 | 1,359,870 | 2,707,709 | [1] 1,347,839 |
| Texarkana & Fort Smith | 87.30 | 161,111 | 106,120 | 54,991 |
| Texas & New Orleans | 469.65 | 315,161 | 529,841 | [1] 214,680 |
| Texas & Pacific | 1,946.62 | 2,626,956 | 1,581,089 | 1,045,867 |
| Toledo, Peoria & Western | 247.70 | [1] 154,674 | 155,945 | [1] 310,619 |
| Union Pacific | 3,614.01 | 25,407,945 | 8,218,816 | 17,189,129 |
| Vicksburg, Shreveport & Pacific | 171.44 | 348,280 | 146,495 | 201,785 |
| Wichita Falls & Northwestern | 328.68 | [1] 180,171 | 259,004 | [1] 439,175 |
| Western Pacific | 1,041.86 | 1,719,125 | 913,214 | 805,911 |

[1] Deficit.

## APPENDIX C.

RECAPITULATION.

*Federal earnings compared with standard return, 9 months to Sept. 30, 1919.*

| District. | Miles operated. | Net operating income (Federal operation). | Standard return for period. | Amount by which net operating income is— Greater than standard return. | Amount by which net operating income is— Less than standard return. |
|---|---|---|---|---|---|
| Roads whose net operating income was greater than standard return: | | | | | |
| Eastern district, 14 roads | 9,523.52 | $41,814,425 | $23,813,492 | $18,000,933 | ........ |
| Southern district, 7 roads | 2,254.39 | 9,451,212 | 5,212,471 | 4,238,741 | ........ |

*Federal earnings compared with standard return, etc.*—Continued.

| District. | Miles operated. | Net operating income (Federal operation). | Standard return for period. | Amount by which net operating income is— Greater than standard return. | Less than standard return. |
|---|---|---|---|---|---|
| Roads whose net operating income was greater than standard return—Contd. | | | | | |
| Western district, 14 roads | 14,245.89 | $60,160,389 | $40,814,888 | $19,345,501 | ........... |
| Total, 35 roads | 26,023.80 | 111,426,026 | 69,840,851 | 41,585,175 | ........... |
| Roads whose net operating income was less than standard return: | | | | | |
| Eastern district, 51 roads | 48,676.25 | 95,485,845 | 233,676,112 | ........... | $138,190,267 |
| Southern district, 28 roads | 40,731.67 | 45,540,834 | 94,465,589 | ........... | 48,924,755 |
| Western district, 51 roads | 113,522.24 | 146,530,446 | 245,295,566 | ........... | 98,765,120 |
| Total, 130 roads | 202,930.16 | 287,557,125 | 573,437,267 | ........... | 285,880,142 |
| Net total: | | | | | |
| Eastern district, 65 roads | 58,199.77 | 137,300,270 | 257,489,604 | ........... | 120,189,334 |
| Southern district, 35 roads | 42,986.06 | 54,902,046 | 99,678,060 | ........... | 44,686,014 |
| Western district, 65 roads | 127,768.13 | 206,690,835 | 286,110,454 | ........... | 79,419,619 |
| Total, 165 roads | 228,953.96 | 398,983,151 | 643,278,118 | ........... | 244,294,967 |

NOTE.—"Net operating income" is the balance of operating revenues after payment of operating expenses, taxes chargeable to railway operation, equipment and joint facility rentals, and is taken from the monthly returns of the roads to the Interstate Commerce Commission. The standard return for the first 9 months is computed as 72.276 per cent of the standard return for the year, in accordance with the practice of the United States Railroad Administration.

EASTERN DISTRICT.

| Road. | Miles operated Sept. 30. | Net operating income (Federal operation). | Standard return for period. | Amount by which net operating income was— Greater than standard return. | Less than standard return. |
|---|---|---|---|---|---|
| Ann Arbor | 301.12 | $393,893 | $380,810 | $13,083 | ........... |
| Atlantic & Lawrence | 172.11 | ¹711,407 | ¹3,087 | ........... | $708,320 |
| Atlantic City | 177.01 | 871,468 | 160,500 | 710,968 | ........... |
| Baltimore & Ohio | 5,151.66 | 3,178,338 | 20,259,791 | ........... | 17,081,453 |
| Baltimore, Chesapeake & Atlantic | 87.61 | ¹36,784 | 62,625 | ........... | 99,409 |
| Bangor & Aroostook | 632.35 | 46,868 | 1,124,452 | ........... | 1,077,584 |
| Bessemer & Lake Erie | 217.25 | 2,354,661 | 3,378,696 | ........... | 1,024,035 |
| Boston & Maine | 2,258.61 | 3,308,856 | 6,850,373 | ........... | 3,541,517 |
| Buffalo & Susquehanna Corporation | 296.56 | ¹252,523 | 428,328 | ........... | 680,851 |
| Buffalo, Rochester & Pittsburgh | 589.73 | ¹746,403 | 2,368,053 | ........... | 3,114,461 |
| Central New England | 301.30 | ¹106,989 | 1,061,101 | ........... | 1,168,090 |
| Central R. R. of New Jersey | 685.02 | 1,940,765 | 6,759,469 | ........... | 4,818,704 |
| Central Vermont | 411.20 | ¹716,634 | 563,101 | ........... | 1,279,735 |
| Chicago & Eastern Illinois | 1,131.46 | ¹742,921 | 2,129,252 | ........... | 2,872,173 |
| Chicago & Erie | 269.56 | 281,787 | 162,714 | 119,073 | ........... |
| Chicago, Indianapolis & Louisville | 657.06 | 602,510 | 1,171,058 | ........... | 568,548 |
| Chicago, Terre Haute & Southeastern | 374.18 | ¹213,151 | 666,952 | ........... | 880,103 |
| Cincinnati, Lebanon & Northern | 76.17 | ¹26,106 | 80,938 | ........... | 107,044 |
| Cincinnati, Indianapolis & Western | 321.68 | ¹387,341 | 305,159 | ........... | 692,500 |
| Cincinnati Northern | 251.60 | 363,384 | 229,569 | 133,815 | ........... |
| Cleveland, Cincinnati, Chicago & St. Louis | 2,395.77 | 10,216,706 | 7,183,220 | 3,033,486 | ........... |
| Cumberland Valley | 163.65 | 281,191 | 888,248 | ........... | 607,057 |
| Delaware & Hudson | 875.01 | 1,754,698 | 5,355,362 | ........... | 3,600,664 |
| Delaware, Lackawanna & Western | 956.04 | 8,697,026 | 11,383,092 | ........... | 2,686,066 |
| Detroit & Mackinac | 381.90 | ¹112,405 | 224,536 | ........... | 336,941 |
| Detroit & Toledo Shore Line | 61.90 | 795,398 | 329,949 | $465,449 | ........... |
| Detroit, Toledo & Ironton | 456.41 | ¹479,233 | 163,268 | ........... | 642,501 |
| Elgin, Joliet & Eastern | 828.52 | 3,015,854 | 2,068,667 | 947,187 | ........... |
| Erie | 1,989.12 | ¹179,252 | 11,205,627 | ........... | 11,384,879 |
| Grand Rapids & Indiana | 569.98 | 364,222 | 671,722 | ........... | 307,500 |
| Hocking Valley | 350.20 | 1,433,915 | 1,906,039 | ........... | 472,124 |
| Kanawha & Michigan | 176.60 | 132,532 | 936,076 | ........... | 803,544 |
| Lake Erie & Western | 902.95 | ¹38,022 | 1,119,224 | ........... | 1,157,246 |
| Lehigh & Hudson River | 96.60 | 235,203 | 375,381 | ........... | 140,178 |

¹ Deficit.

*Federal earnings compared with standard return, etc.*—Continued.

EASTERN DISTRICT—continued.

| Road. | Miles operated Sept. 30. | Net operating income (Federal operation). | Standard return for period. | Amount by which net operating income was— Greater than standard return. | Less than standard return. |
|---|---|---|---|---|---|
| Lehigh & New England | 231.25 | $580,526 | $820,883 | ........... | $240,357 |
| Lehigh Valley | 1,435.94 | 2,762,501 | 8,182,534 | ........... | 5,420,033 |
| Long Island | 398.38 | 2,980,730 | 2,328,696 | 652,034 | ........... |
| Maine Central | 1,216.15 | ¹991,743 | 2,136,260 | ........... | 3,128,003 |
| Maryland, Delaware & Virginia | 82.62 | ¹40,078 | 35,808 | ........... | 75,886 |
| Michigan Central | 1,861.77 | 12,453,062 | 5,819,755 | 6,633,307 | ........... |
| Monongahela | 108.25 | 802,958 | 421,431 | 381,527 | ........... |
| New York Central | 6,075.79 | 35,871,901 | 40,331,910 | ........... | 4,460,009 |
| New York, Chicago & St. Louis | 574.21 | 3,456,461 | 1,603,701 | 1,852,760 | ........... |
| New York, New Haven & Hartford | 1,965.79 | 4,361,478 | 12,356,221 | ........... | 7,994,743 |
| New York, Ontario & Western | 569.49 | 1,078,667 | 1,520,390 | ........... | 441,723 |
| New York, Philadelphia & Norfolk | 121.57 | 669,111 | 719,906 | ........... | 50,795 |
| New York, Susquehanna & Eastern | 135.97 | ¹76,905 | 578,632 | ........... | 655,537 |
| Pennsylvania Lines East & West | 7,122.34 | 22,326,695 | 47,998,179 | ........... | 25,671,484 |
| Pere Marquette | 2,232.44 | 5,230,161 | 2,709,046 | 2,521,115 | ........... |
| Perkiomen | 41.83 | 370,399 | 245,081 | 125,318 | ........... |
| Philadelphia & Reading | 1,127.17 | 2,041,895 | 11,468,995 | ........... | 9,427,100 |
| Pittsburgh & Lake Erie | 224.56 | 2,759,655 | 6,490,543 | ........... | 3,730,888 |
| Pittsburgh & West Virginia | 63.23 | ¹535,903 | 171,301 | ........... | 707,204 |
| Pittsburgh, Cincinati, Chicago & St. Louis | 2,383.61 | 2,820,832 | 8,191,830 | ........... | 5,370,998 |
| Pittsburgh & Shawmut R. R. | 103.04 | ¹167,442 | 348,961 | ........... | 516,403 |
| Port Reading | 21.16 | 582,164 | 170,353 | 411,811 | ........... |
| Rutland | 415.11 | 120,411 | 740,022 | ........... | 619,611 |
| Staten Island Rapid Transit | 23.54 | 134,560 | 257,898 | ........... | 123,338 |
| Toledo & Ohio Central | 435.66 | 103,742 | 785,388 | ........... | 681,646 |
| Toledo, St. Louis & Western | 454.17 | 471,553 | 718,636 | ........... | 247,083 |
| Ulster & Delaware | 128.88 | ¹120,663 | 92,520 | ........... | 213,183 |
| Wabash | 2,503.86 | 204,421 | 4,233,763 | ........... | 4,029,342 |
| West Jersey & Seashore | 361.18 | 593,039 | 688,560 | ........... | 95,521 |
| Western Maryland | 701.31 | 74,343 | 2,225,807 | ........... | 2,151,464 |
| Wheeling & Lake Erie | 511.60 | 861,635 | 1,146,324 | ........... | 284,689 |
| SOUTHERN DISTRICT. | | | | | |
| Alabama & Vicksburg | 141.49 | $119,405 | $233,346 | ........... | $113,941 |
| Alabama Great Southern | 312.41 | 827,624 | 1,230,990 | ........... | 403,366 |
| Atlanta & West Point | 93.19 | 384,991 | 182,855 | $202,136 | ........... |
| Atlanta, Birmingham & Atlantic | 639.88 | ¹777,187 | 258,790 | ........... | 1,035,977 |
| Atlantic Coast Line | 4,863.16 | 4,339,685 | 7,358,358 | ........... | 3,018,673 |
| Carolina, Clinchfield & Ohio | 282.99 | 867,114 | 1,145,690 | ........... | 278,576 |
| Central of Georgia | 1,918.29 | 1,209,512 | 2,494,175 | ........... | 1,284,663 |
| Charleston & Western Carolina | 342.50 | 148,365 | 337,472 | ........... | 189,107 |
| Chesapeake & Ohio | 2,503.10 | 8,142,932 | 9,559,934 | ........... | 1,417,002 |
| Cincinnati, New Orleans & Texas Pacific | 337.27 | 734,363 | 2,559,322 | ........... | 1,824,959 |
| Florida East Coast | 764.75 | 865,618 | 2,054,692 | ........... | 1,189,074 |
| Georgia & Florida | 348.10 | ¹278,439 | 63,603 | ........... | 342,042 |
| Georgia Railroad | 328.90 | 887,127 | 620,578 | 266,549 | ........... |
| Georgia Southern & Florida | 402.05 | 72,481 | 369,661 | ........... | 297,180 |
| Gulf, Mobile & Northern | 428.23 | ¹70,036 | 403,544 | ........... | 473,580 |
| Illinois Central | 4,791.01 | 3,739,168 | 11,768,249 | ........... | 8,029,081 |
| Louisville & Nashville | 5,013.35 | 7,443,393 | 12,511,333 | ........... | 5,067,940 |
| Louisville, Henderson & St. Louis | 199.80 | 352,127 | 248,569 | 103,558 | ........... |
| Mississippi Central | 164.00 | ¹102,902 | 223,489 | ........... | 326,391 |
| Mobile & Ohio | 996.39 | ¹956,875 | 1,863,422 | ........... | 2,820,297 |
| Nashville, Chattanooga & St. Louis | 1,247.03 | 590,390 | 2,299,887 | ........... | 1,709,497 |
| New Orleans & Northeastern | 203.73 | 243,406 | 870,920 | ........... | 627,514 |
| New Orleans Great Northern | 284.60 | 48,844 | 416,275 | ........... | 367,431 |
| Norfolk & Western | 2,088.02 | 8,120,570 | 14,841,272 | ........... | 6,720,702 |
| Norfolk Southern | 906.92 | ¹46,384 | 843,454 | ........... | 889,838 |
| Northern Alabama | 112.50 | 41,435 | 109,725 | ........... | 68,290 |
| Richmond, Fredericksburg & Potomac | 81.52 | 2,284,981 | 822,048 | 1,462,933 | ........... |
| Seaboard Air Line | 3,563.21 | 1,939,992 | 4,695,790 | ........... | 2,755,798 |
| Southern | 6,982.87 | 7,016,567 | 13,482,288 | ........... | 6,465,721 |
| Southern Railway in Mississippi | 278.39 | ¹101,776 | 5,052 | ........... | 106,828 |
| Tennessee Central | 293.07 | ¹366,858 | 117,618 | ........... | 484,476 |
| Virginian | 522.36 | 1,730,427 | 2,347,238 | ........... | 616,811 |
| Washington Southern | 35.57 | 1,585,375 | 338,565 | 1,246,810 | ........... |
| Western Railway of Alabama | 133.42 | 386,595 | 208,327 | 178,268 | ........... |
| Yazoo & Mississippi Valley | 1,381.99 | 3,570,016 | 2,791,529 | 778,487 | ........... |

¹ Deficit.

*Federal earnings compared with standard return, etc.*—Continued.

WESTERN DISTRICT.

| Road. | Miles operated Sept. 30. | Net operating income (Federal operation). | Standard return for period. | Amount by which net operating income was— Greater than standard return. | Less than standard return. |
|---|---|---|---|---|---|
| Arizona Eastern | 377.74 | $417,998 | $898,011 | ............ | $480,013 |
| Atchison, Topeka & Santa Fe | 8,645.81 | 25,897,394 | 27,785,587 | ............ | 1,888,193 |
| Beaumont, Sour Lake & Western | 118.75 | [1]39,974 | [1]24,205 | ............ | 15,769 |
| Chicago & Alton | 1,050.51 | 196,075 | 2,297,159 | ............ | 2,101,084 |
| Chicago & North Western | 8,090.45 | 11,428,716 | 16,768,766 | ............ | 5,340,050 |
| Chicago, Burlington & Quincy | 9,372.31 | 19,349,915 | 24,111,767 | ............ | 4,761,852 |
| Chicago Great Western | 1,496.06 | 976,512 | 2,134,636 | ............ | 1,158,124 |
| Chicago, Milwaukee & St. Paul | 10,647.66 | 2,037,833 | 19,944,238 | ............ | 17,906,405 |
| Chicago, Peoria & St. Louis | 247.19 | [1]663,936 | 92,181 | ............ | 756,117 |
| Chicago, Rock Island & Gulf | 474.81 | 342,409 | 702,170 | ............ | 339,761 |
| Chicago, Rock Island & Pacific | 7,594.60 | 7,022,600 | 10,778,071 | ............ | 3,755,471 |
| Chicago, St. Paul, Minnesota & Omaha | 1,749.19 | 1,882,688 | 3,566,669 | ............ | 1,683,981 |
| Colorado & Southern | 1,100.05 | 1,303,732 | 1,793,321 | ............ | 489,589 |
| Denver & Rio Grande | 2,595.11 | 4,079,076 | 6,012,913 | ............ | 1,933,837 |
| Duluth & Iron Range | 292.49 | 3,078,008 | 1,702,275 | $1,375,733 | ............ |
| Duluth, Missabe & Northern | 411.06 | 10,230,271 | 3,702,014 | 6,528,257 | ............ |
| Duluth, South Shore & Atlantic | 599.29 | 66,036 | 429,780 | ............ | 363,744 |
| El Paso & Southwestern | 1,027.87 | 2,389,008 | 2,995,914 | ............ | 606,906 |
| Fort Worth & Denver City | 554.14 | 2,275,615 | 1,367,018 | 908,597 | ............ |
| Fort Worth & Rio Grande | 235.22 | [1]21,219 | 940 | ............ | 22,159 |
| Galveston, Harrisburg & San Antonio | 1,381.90 | 2,552,069 | 2,334,981 | 217,088 | ............ |
| Great Northern | 8,233.52 | 10,084,185 | 20,719,130 | ............ | 10,634,945 |
| Green Bay & Western | 252.39 | 12,448 | 148,078 | ............ | 135,630 |
| Gulf, Colorado & Santa Fe | 1,935.11 | 1,083,455 | 2,044,123 | ............ | 960,668 |
| Houston & Texas Central | 847.06 | 829,116 | 1,241,345 | ............ | 412,229 |
| Houston East & West Texas | 190.94 | 286,803 | 271,444 | 15,359 | ............ |
| International & Great Northern | 1,159.50 | [1]1,042,424 | 1,008,211 | ............ | 2,050,635 |
| Kansas City, Mexico & Orient | 272.16 | [1]430,917 | 108,414 | ............ | 1,093,243 |
| Kansas City, Mexico & Orient Ry. of Texas | 465.71 | [1]553,912 | | | |
| Kansas City Southern | 774.40 | 966,696 | 2,324,901 | ............ | 1,358,205 |
| Los Angeles & Salt Lake | 1,168.16 | 2,061,814 | 2,472,141 | ............ | 410,327 |
| Louisiana & Arkansas | 302.34 | [1]177,184 | 294,877 | ............ | 472,061 |
| Louisiana Western | 207.74 | 849,059 | 646,999 | 202,060 | ............ |
| Midland Valley | 388.21 | 375,243 | 321,156 | 54,087 | ............ |
| Mineral Range | 101.11 | [1]72,328 | 106,558 | ............ | 178,886 |
| Minneapolis & St. Louis | 1,646.75 | 26,595 | 1,907,983 | ............ | 1,881,388 |
| Minneapolis, St. Paul & Sault Ste. Marie | 4,243.41 | 3,465,239 | 7,623,260 | ............ | 4,158,021 |
| Missouri, Kansas & Texas | 1,713.98 | 3,428,389 | 4,230,915 | ............ | 802,526 |
| Missouri, Kansas & Texas of Texas | 1,796.04 | [1]415,999 | 449,393 | ............ | 865,392 |
| Missouri Pacific | 7,172.77 | 4,275,498 | 10,268,117 | ............ | 5,992,619 |
| Morgan's Louisiana & Texas R. R. & Steamship Co. | 400.67 | 438,611 | 859,019 | ............ | 420,408 |
| New Orleans, Texas & Mexico | 191.22 | 94,072 | 158,120 | ............ | 64,048 |
| Northern Pacific | 6,581.24 | 12,371,141 | 21,747,626 | ............ | 9,376,485 |
| Northwestern Pacific | 527.37 | 838,953 | 892,682 | ............ | 53,729 |
| Oregon Short Line | 2,347.59 | 7,005,515 | 7,369,803 | ............ | 364,288 |
| Oregon-Washington R. R. & Navigation Co. | 2,070.02 | 2,689,385 | 3,266,407 | ............ | 577,022 |
| Panhandle & Santa Fe | 772.98 | [1]504,482 | 961,751 | ............ | 1,466,233 |
| Quincy, Omaha & Kansas City | 255.09 | [1]136,737 | 21,247 | ............ | 157,984 |
| St. Joseph & Grand Island | 258.46 | 24,614 | 270,176 | ............ | 245,562 |
| St. Louis, Brownsville & Mexico | 548.18 | 993,843 | 711,116 | 282,727 | ............ |
| St. Louis-San Francisco | 4,761.28 | 10,812,975 | 9,894,738 | 918,237 | ............ |
| St. Louis, San Francisco & Texas | 134.41 | [1]128,717 | [1]236,368 | 107,651 | ............ |
| St. Louis Southwestern | 939.80 | 1,862,642 | 2,425,401 | ............ | $562,759 |
| St. Louis Southwestern of Texas | 814.70 | [1]979,304 | 401,251 | ............ | 1,380,555 |
| San Antonio & Aransas Pass | 736.52 | [1]764,521 | 269,627 | ............ | 1,034,148 |
| Southern Pacific | 7,049.60 | 20,616,640 | 27,480,736 | ............ | 6,864,096 |
| Spokane, Portland & Seattle | 938.23 | 1,359,870 | 1,352,344 | 7,526 | ............ |
| Texarkana & Fort Smith | 87.30 | 161,111 | 230,365 | ............ | 69,254 |
| Texas & New Orleans | 469.65 | 315,161 | 516,872 | ............ | 201,711 |
| Texas & Pacific | 1,946.62 | 2,626,956 | 2,968,688 | ............ | 341,732 |
| Toledo, Peoria & Western | 247.70 | [1]154,674 | 115,454 | ............ | 270,128 |
| Union Pacific | 3,614.01 | 25,407,945 | 17,129,419 | 8,278,526 | ............ |

[1] Deficit.

*Federal earnings compared with standard return, etc.*—Continued.

WESTERN DISTRICT—continued.

| Road. | Miles operated Sept. 30. | Net operating income (Federal operation). | Standard return for period. | Amount by which net operating income was— Greater than standard return. | Less than standard return. |
|---|---|---|---|---|---|
| Vicksburg, Shreveport & Pacific | 171.44 | $348,280 | $244,255 | $104,025 | ............ |
| Wichita Falls & Northwestern | 328.68 | [1]180,171 | 104,977 | ............ | 285,148 |
| Western Pacific | 1,041.86 | 1,719,125 | 1,373,497 | 345,628 | ............ |

[1] Deficit.

APPENDIX D.

*Annual compensation per railway employee, Class I railways, 1915–1919.*

| Class of employees. | Fiscal year 1915 (average). | Calendar year 1917 (average). | Calendar year 1919 (July basis). | Per cent of increase 1919 over— Fiscal year 1915. | Calendar year 1917 (average). |
|---|---|---|---|---|---|
| General officers | $4,528 | $4,558 | $4,315 | [1]4.7 | [1]5.3 |
| Division officers | 2,013 | 2,099 | 2,946 | 46.3 | 40.3 |
| Clerks | 832 | 932 | 1,342 | 61.3 | 44.1 |
| Messengers and attendants | 434 | 514 | 845 | 94.7 | 64.3 |
| Assistant engineers and draftsmen | 1,121 | 1,145 | 1,668 | 48.8 | 45.7 |
| Maintenance of way and shop foremen | 1,107 | 1,197 | 1,712 | 54.7 | 43.1 |
| Section foremen | 772 | 886 | 1,298 | 68.1 | 46.5 |
| General foremen, mechanical engineering department | 1,533 | 1,660 | 3,114 | 103.1 | 87.5 |
| Gang and other foremen, mechanical engineering dept | 1,167 | 1,352 | 2,345 | 100.9 | 73.5 |
| Machinists | 1,030 | 1,394 | 1,706 | 65.6 | 22.4 |
| Boiler makers | 1,076 | 1,425 | 1,773 | 64.8 | 24.4 |
| Blacksmiths | 927 | 1,258 | 1,636 | 76.5 | 30.1 |
| Masons and bricklayers | 789 | 932 | 1,384 | 75.4 | 48.6 |
| Structural-iron workers | 898 | 1,014 | 1,579 | 75.8 | 55.7 |
| Carpenters | 768 | 940 | 1,408 | 83.3 | 49.7 |
| Painters and upholsterers | 758 | 951 | 1,424 | 87.9 | 49.8 |
| Electricians | 941 | 1,030 | 1,728 | 83.6 | 67.7 |
| Air-brake men | 812 | 1,086 | 1,588 | 95.6 | 46.2 |
| Car inspectors | 887 | 1,140 | 1,749 | 97.2 | 53.3 |
| Car repairers | 751 | 994 | 1,480 | 97.1 | 48.9 |
| Other skilled laborers | 855 | 1,065 | 1,586 | 85.5 | 48.9 |
| Mechanics' helpers and apprentices | 607 | 822 | 1,142 | 88.1 | 38.8 |
| Section men | 454 | 601 | 934 | 105.7 | 55.3 |
| Other unskilled laborers | 560 | 695 | 1,051 | 87.7 | 51.2 |
| Foremen of construction gangs and work trains | 1,016 | 1,031 | 1,536 | 51.2 | 49.0 |
| Other men in construction gangs and work trains | 516 | 623 | 982 | 90.3 | 57.5 |
| Traveling agents and solicitors | 1,495 | 1,642 | 2,131 | 42.5 | 29.8 |
| Employees in outside agencies | 980 | 1,066 | 1,690 | 72.4 | 58.5 |
| Other traffic employees | 960 | 1,330 | 1,965 | 106.8 | 49.2 |
| Train dispatchers and directors | 1,606 | 1,802 | 2,738 | 70.5 | 52.0 |
| Telegraphers, telephoners, and block operators | 800 | 917 | 1,554 | 94.3 | 69.5 |
| Telegraphers and telephoners operating interlockers | 822 | 957 | 1,577 | 91.8 | 64.9 |
| Levermen (nontelegraphers) | 731 | 852 | 1,503 | 105.6 | 76.5 |
| Telegrapher-clerks | 797 | 892 | 1,551 | 94.6 | 73.8 |
| Agent-telegraphers | 828 | 949 | 1,676 | 102.4 | 76.6 |
| Station agents (nontelegraphers) | 937 | 1,038 | 1,674 | 78.7 | 61.2 |
| Station masters and assistants | 1,095 | 1,292 | 1,932 | 76.4 | 49.6 |
| Station-service employees | 605 | 710 | 1,122 | 85.5 | 58.1 |
| Yardmasters | 1,584 | 1,802 | 2,969 | 87.4 | 64.7 |
| Yardmasters' assistants (not yard clerks) | 1,428 | 1,705 | 2,594 | 81.7 | 52.1 |
| Yard engineers and motormen | 1,528 | 1,790 | 2,102 | 37.6 | 17.4 |
| Yard firemen and helpers | 916 | 1,093 | 1,512 | 65.1 | 38.3 |
| Yard conductors (or foremen) | 1,358 | 1,584 | 1,909 | 40.6 | 20.5 |
| Yard brakemen (switchmen or helpers) | 1,169 | 1,327 | 1,698 | 45.3 | 28.0 |
| Yard switch tenders | 720 | 846 | 1,449 | 101.3 | 71.2 |
| Other yard employees | 622 | 666 | 1,105 | 77.7 | 65.9 |
| Hostlers | 976 | 1,245 | 1,593 | 63.2 | 28.0 |
| Enginehouse men | 684 | 835 | 1,255 | 83.5 | 50.3 |
| Road freight engineers and motormen | 1,846 | 2,107 | 2,686 | 45.5 | 27.5 |
| Road freight firemen and helpers | 1,136 | 1,273 | 1,881 | 65.6 | 47.7 |
| Road freight conductors | 1,589 | 1,854 | 2,337 | 47.1 | 26.0 |
| Road freight brakemen and flagmen | 1,036 | 1,202 | 1,748 | 68.7 | 45.5 |
| Road passenger engineers and motormen | 2,141 | 2,232 | 3,077 | 43.7 | 37.8 |
| Road passenger firemen and helpers | 1,287 | 1,353 | 2,210 | 71.7 | 63.3 |
| Road passenger conductors | 1,850 | 1,966 | 2,714 | 46.7 | 38.1 |
| Road passenger baggagemen | 1,049 | 1,175 | 1,948 | 85.7 | 65.8 |
| Road passenger brakemen and flagmen | 1,026 | 1,093 | 1,817 | 77.1 | 66.2 |

[1] Decrease.

*Annual compensation per railway employee, Class I railways, 1915–1919*—Continued.

| Class of employees. | Fiscal year 1915 (average). | Calendar year 1917 (average). | Calendar year 1919 (July basis). | Per cent of increase 1919 over— | |
|---|---|---|---|---|---|
| | | | | Fiscal year 1915. | Calendar year 1917 (average). |
| Other road train employees | $840 | $817 | $1,441 | 71.5 | 76.5 |
| Crossing flagmen and gatemen | 476 | 535 | 944 | 98.3 | 76.5 |
| Drawbridge operators | 666 | 761 | 1,185 | 77.9 | 55.7 |
| Floating equipment employees | 775 | 923 | 1,623 | 110.1 | 75.4 |
| Policemen and watchmen | 713 | 896 | 1,413 | 98.2 | 57.8 |
| Other transportation employees | 634 | 845 | 1,170 | 84.5 | 38.5 |
| All other employees | 610 | 663 | 995 | 63.1 | 50.1 |
| Average | 830 | 1,004 | 1,433 | 72.7 | 42.7 |

Source: Data for 1915 from reports of the Interstate Commerce Commission covering all Class I railways; data for 1917 and 1919 from reports of the United States Railroad Administration, covering Class I railways under Federal control. Averages for 1919 are based on returns for month of July, 1919, multiplied by 12.

APPENDIX E.

*Statement of income of all Class I railroads (all territories) for years ended Dec. 31, 1917 and 1918, showing also per cent of net return on property investment, amount required, and percentage thereof to freight revenue to earn a return of 6 per cent on property investment.*

| Item. | Year ended Dec. 31, 1917. | Year ended Dec. 31, 1918. |
|---|---|---|
| Freight revenue | $2,813,107,029 | $3,427,043,446 |
| Passenger revenue | 826,363,964 | 1,029,909,885 |
| Other revenue | 353,711,226 | 393,623,990 |
| Total operating revenues | 3,993,182,219 | 4,850,577,321 |
| Total operating expenses | 2,816,554,333 | 3,953,120,638 |
| Net operating revenue | 1,176,627,886 | 897,456,683 |
| Taxes | 186,054,800 | 187,980,774 |
| Rents, etc | 42,153,546 | 39,089,145 |
| Net return | 948,419,540 | 670,386,764 |
| Property investment | 17,642,641,870 | 18,084,834,944 |
| Per cent of net return on property investment | 5.38 | 3.71 |
| Amount required to earn 6 per cent on property investment | 1,058,558,512 | 1,085,090,097 |
| Additional revenue required to earn 6 per cent | 110,138,972 | 414,703,333 |
| Percentage of increase in freight revenue necessary for return of 6 per cent on property investment | 3.92 | 12.10 |
| Revenue per mile | 17,381 | 21,054 |
| Property investment per mile | 76,793 | 78,499 |

*Statement of income of railroads in official classification territory for years ended Dec. 31, 1917 and 1918, showing also per cent of net return on property investment, amount required, and percentage thereof to freight revenue to earn a return of 6 per cent on property investment.*

NEW ENGLAND LINES.

| Item. | Year ended Dec. 31, 1917. | Year ended Dec. 31, 1918. |
|---|---|---|
| Freight revenue | $114,236,230 | $138,248,366 |
| Passenger revenue | 67,566,643 | 74,840,380 |
| Other revenue | 23,736,791 | 26,804,059 |
| Total operating revenue | 205,539,664 | 239,892,805 |
| Total operating expenses | 155,867,171 | 215,414,255 |
| Net operating revenue | | |
| Taxes | 49,672,493 | 24,478,550 |
| Rents, etc | 8,052,083 | 8,215,987 |
| Net return | 9,195,353 | 7,033,713 |
| Property investment | 32,425,057 | 9,228,850 |
| Per cent of net return on property investment | 736,725,844 | 754,947,267 |
| Amount required to earn 6 per cent on property investment | 4.40 | 1.22 |
| Additional revenue required to earn 6 per cent | 44,203,551 | 45,296,836 |
| Percentage of increase in freight revenue necessary | 11,778,494 | 36,067,986 |
| for return of 6 per cent on property investment | 10.31 | 26.09 |
| Revenue per mile | 25,485 | 29,886 |
| Property investment per mile | 91,348 | 94,051 |

EXCEPT NEW ENGLAND LINES.

| Item. | Year ended Dec. 31, 1917. | Year ended Dec. 31, 1918. |
|---|---|---|
| Freight revenue | $1,236,921,745 | $1,543,465,837 |
| Passenger revenue | 310,658,128 | 400,571,929 |
| Other revenue | 159,894,548 | 182,894,927 |
| Total operating revenue | 1,707,474,421 | 2,126,932,693 |
| Total operating expenses | 1,265,616,804 | 1,797,354,081 |
| Net operating revenue | 441,857,617 | 329,578,612 |
| Taxes | 67,903,736 | 69,562,294 |
| Rents, etc | 31,783,068 | 28,528,266 |
| Net return | 342,170,813 | 231,488,052 |
| Property investment | 6,925,634,816 | 7,151,323,881 |
| Per cent of net return on property investment | 4.94 | 3.24 |
| Amount required to earn 6 per cent on property investment | 415,538,089 | 429,079,433 |
| Additional revenue required to earn 6 per cent | 73,367,276 | 197,591,381 |
| Percentage of increase in freight revenue necessary for return of 6 per cent on property investment | 5.93 | 12.80 |
| Revenue per mile | 30,714 | 38,259 |
| Property investment per mile | 124,578 | 128,638 |

*Statement of income of railroads in official classification territory for years ended Dec. 31, 1917 and 1918, etc.*—Continued.

ALL ROADS.

| Item. | Year ended Dec. 31, 1917. | Year ended Dec. 31, 1918. |
|---|---|---|
| Freight revenue | $1,351,157,975 | $1,681,714,203 |
| Passenger revenue | 378,224,771 | 475,412,309 |
| Other revenue | 183,631,339 | 209,698,986 |
| Total operating revenue | 1,913,014,085 | 2,366,825,498 |
| Total operating expenses | 1,421,483,975 | 2,012,768,336 |
| Net operating revenue | 491,530,110 | 354,057,162 |
| Taxes | 75,955,819 | 77,778,281 |
| Rents, etc | 40,978,421 | 35,561,979 |
| Net return | 374,595,870 | 240,716,902 |
| Property invetsment | 7,662,360,660 | 7,906,271,148 |
| Per cent of net return on property investment | 4.89 | 3.04 |
| Amount required to earn 6 per cent on property investment | 459,741,640 | 474,376,269 |
| Additional revenue required to earn 6 per cent | 85,145,770 | 233,659,367 |
| Percentage of increase in freight revenue necessary for return of 6 per cent on property investment | 6.30 | 13.89 |
| Revenue per mile | 30,051 | 37,014 |
| Property investment per mile | 120,368 | 123,645 |

*Statement of income of railroads in southern classification territory for years ended Dec. 31, 1917 and 1918, showing also per cent of net return on property investment, amount required, and percentage thereof to freight revenue to earn a return of 6 per cent on property investment.*

| Item. | Year ended Dec. 31, 1917. | Year ended Dec. 31, 1918. |
|---|---|---|
| Freight revenue | $323,818,690 | $405,091,118 |
| Passenger revenue | 109,555,999 | 160,414,086 |
| Other revenue | 37,223,257 | 42,191,022 |
| Total operating revenues | 470,597,946 | 607,696,226 |
| Total operating expenses | 324,386,494 | 478,032,590 |
| Net operating revenue | 146,211,452 | 129,663,636 |
| Taxes | 21,937,960 | 22,110,411 |
| Rents, etc | Dr. 9,630,716 | 491,051 |
| Net return | 133,904,208 | 107,062,174 |
| Property investment | 2,084,688,177 | 2,149,239,978 |
| Per cent of net return on property investment | 6.42 | 4.98 |
| Amount required to earn 6 per cent on property investment | ... | 128,954,399 |
| Additional revenue required to earn 6 per cent | ... | 21,892,225 |
| Percentage of increase in freight revenue necessary for return of 6 per cent on property investment | ... | 5.49 |
| Revenue per mile | 12,537 | 16,170 |
| Property investment per mile | 55,511 | 57,183 |

*Statement of income of railroads in western classification territory for years ended Dec. 31, 1917 and 1918, showing also per cent of net return on property investment, amount required, and percentage thereof to freight revenue to earn a return of 6 per cent on property investment.*

TRANSCONTINENTAL LINES.

| Item. | Year ended Dec. 31, 1917. | Year ended Dec. 31, 1918. |
|---|---|---|
| Freight revenue | $479,365,495 | $564,758,050 |
| Passenger revenue | 143,677,919 | 165,394,936 |
| Other revenue | 56,902,755 | 59,549,470 |
| Total operating revenues | 679,946,169 | 789,702,456 |
| Total operating expenses | 422,187,275 | 566,293,474 |
| Net operating revenue | 257,758,894 | 223,408,982 |
| Taxes | 41,052,691 | 41,101,287 |
| Rents, etc | 596,886 | Dr. 5,284,068 |
| Net return | 216,109,317 | 187,591,763 |
| Property investment | 3,478,405,670 | 3,560,058,225 |
| Per cent of net return on property investment | 6.21 | 5.27 |
| Amount required to earn 6 per cent on property investment | ... | 213,603,494 |
| Additional revenue required to earn 6 per cent | ... | 26,011,731 |
| Percentage of increase in freight revenue necessary for return of 6 per cent on property investment | ... | 4.61 |
| Revenue per mile | 14,434 | 16,666 |
| Property investment per mile | 73,839 | 75,048 |

SOUTHWESTERN LINES.

| Item. | Year ended Dec. 31, 1917. | Year ended Dec. 31, 1918. |
|---|---|---|
| Freight revenue | $102,457,205 | $115,387,112 |
| Passenger revenue | 34,066,409 | 40,970,797 |
| Other revenue | 9,740,146 | 11,090,290 |
| Total operating revenue | 146,263,760 | 167,448,199 |
| Total operating expenses | 101,100,374 | 137,099,651 |
| Net operating revenue | 45,163,386 | 30,348,548 |
| Taxes | 6,462,120 | 7,150,863 |
| Rents, etc | 2,600,501 | 966,142 |
| Net return | 36,100,765 | 22,231,543 |
| Property investment | 732,726,051 | 742,889,819 |
| Per cent of net return on property investment | 4.93 | 2.99 |
| Amount required to earn 6 per cent on property investment | 43,963,563 | 44,573,389 |
| Additional revenue required to earn 6 per cent | 7,862,798 | 22,341,846 |
| Percentage of increase in freight revenue necessary for return of 6 per cent on property investment | 7.67 | 19.36 |
| Revenue per mile | 9,231 | 10,579 |
| Property investment per mile | 46,244 | 46,932 |

*Statement of income of railroads in western classification territory for years ended Dec. 31, 1917 and 1918, etc.*—Continued.

WESTERN LINES.

| Item. | Year ended Dec. 31, 1917. | Year ended Dec. 31, 1918. |
|---|---|---|
| Freight revenue | $556,307,064 | $660,092,963 |
| Passenger revenue | 160,838,866 | 187,717,757 |
| Other revenue | 66,213,729 | 71,094,222 |
| Total operating revenues | 783,360,259 | 918,904,942 |
| Total operating expenses | 547,396,215 | 758,926,587 |
| Net operating revenue | 235,964,044 | 159,978,355 |
| Taxes | 40,646,210 | 39,839,932 |
| Rents, etc | 7,608,454 | 7,354,041 |
| Net return | 187,709,380 | 112,784,382 |
| Property investment | 3,684,461,309 | 3,726,375,774 |
| Per cent of net return on property investment | 5.09 | 3.03 |
| Amount required to earn 6 per cent on property investment | 221,067,679 | 223,582,546 |
| Additional revenue required to earn 6 per cent | 33,358,299 | 110,798,164 |
| Percentage of increase in freight revenue necessary for return of 6 per cent on property investment | 6.00 | 16.79 |
| Revenue per mile | 11,942 | 14,099 |
| Property investment per mile | 56,171 | 56,812 |

ALL RAILROADS.

| Item. | Year ended Dec. 31, 1917. | Year ended Dec. 31, 1918. |
|---|---|---|
| Freight revenue | $1,138,130,364 | $1,340,238,125 |
| Passenger revenue | 338,583,194 | 394,083,490 |
| Other revenue | 132,856,630 | 141,733,982 |
| Total operating revenues | 1,609,570,188 | 1,876,055,597 |
| Total operating expenses | 1,070,683,864 | 1,462,319,712 |
| Net operating revenue | 538,886,324 | 413,735,885 |
| Taxes | 88,161,021 | 88,092,082 |
| Rents, etc | 10,805,841 | 3,036,115 |
| Net return | 439,919,462 | 322,607,688 |
| Property investment | 7,895,593,033 | 8,029,323,818 |
| Per cent of net return on property investment | 5.57 | 4.02 |
| Amount required to earn 6 per cent on property investment | 473,735,582 | 481,759,429 |
| Additional revenue required to earn 6 per cent | 33,816,120 | 159,151,741 |
| Percentage of increase in freight revenue necessary for return of 6 per cent on property investment | 2.97 | 11.87 |
| Revenue per mile | 12,521 | 14,559 |
| Property investment per mile | 61,422 | 62,311 |

APPENDIX F.

*Income account of all Class I railroads (all territories) for 9 months ended Sept. 30, 1919, property investment, per cent net return bears thereto, amount necessary to yield a return on basis of rate of 6 per cent per annum, and additional revenue needed, also percentage thereof to freight revenue to earn at rate of 6 per cent on property investment.*

| | |
|---|---|
| Freight revenue | $2,543,749,223 |
| Passenger revenue | 875,169,931 |
| Other revenue | 280,559,314 |
| Total operating revenues | 3,699,478,468 |
| Total operating expenses | 3,130,891,417 |
| Net operating revenue | 568,587,051 |
| Taxes | 137,493,644 |
| Rents, etc | Dr. 35,636,240 |
| Net return | 395,457,167 |
| Property investment (at Dec. 31, 1918) | 18,084,834,944 |
| Per cent of net return on property investment | 2.19 |
| Equal to, per annum | 2.92 |
| Amount necessary for 9 months to yield a rate of 6 per cent per annum on investment | 813,817,573 |
| Additional revenue needed (requiring increase in freight rates) to earn rate of 6 per cent per annum on investment | 418,360,406 |
| Percentage of increase in freight revenue required to earn at rate of 6 per cent per annum on investment | 16.45 |
| Revenues per mile of line | 16,225 |
| Investment per mile of line | 79,315 |
| Mileage operated | 228,012.08 |

*Income account of railroads in official classification territory for 9 months ended Sept. 30, 1919, property investment, per cent net return bears thereto, amount necessary to yield a return on basis of rate of 6 per cent per annum, and additional revenue needed, also percentage thereof to freight revenue to earn at rate of 6 per cent on property investment.*

NEW ENGLAND DISTRICTS.

| | |
|---|---|
| Freight revenue | $99,406,433 |
| Passenger revenue | 64,363,458 |
| Other revenue | 19,102,248 |
| Total operating revenues | 182,872,139 |
| Total operating expenses | 167,246,983 |
| Net operating revenue | 15,625,156 |
| Taxes | 6,321,257 |
| Rents, etc | Dr. 3,227,290 |
| Net return | 6,076,609 |
| Property investment (at Dec. 31, 1918) | 754,947,267 |
| Per cent of net return on property investment | 0.80 |
| Equal to per annum | 1.07 |
| Amount necessary for 9 months to yield a rate of 6 per cent per annum on investment | $33,972,627 |
| Additional revenue needed (requiring increase in freight rates) to earn rate of 6 per cent per annum on investment | 27,896,018 |
| Percentage of increase in freight revenue required to earn at rate of 6 per cent per annum on investment | 28.06 |
| Revenues per mile of line | 22,858 |
| Investment per mile of line | 94,365 |
| Mileage operated | 8,000.30 |

EXCEPT NEW ENGLAND LINES.

| | |
|---|---|
| Freight revenue | $1,116,836,476 |
| Passenger revenue | 343,006,471 |
| Other revenue | 129,037,144 |
| Total operating revenues | 1,588,880,091 |
| Total operating expenses | 1,373,791,870 |
| Net operating revenue | 215,088,221 |
| Taxes | 52,056,791 |
| Rents, etc | Dr. 16,933,713 |
| Net return | 146,097,717 |
| Property investment (at Dec. 31, 1918) | 7,151,323,881 |
| Per cent of net return on property investment | 2.04 |
| Equal to, per annum | 2.72 |
| Amount necessary for 9 months to yield a rate of 6 per cent per annum on investment | 321,809,575 |
| Additional revenue needed (requiring increase in freight rates) to earn rate of 6 per cent per annum on investment | 175,711,858 |
| Percentage of increase in freight revenue required to earn at rate of 6 per cent per annum on investment | 15.73 |
| Revenue per mile of line | 28,650 |
| Investment per mile of line | 128,951 |
| Mileage operated | 55,457.52 |

ALL ROADS.

| | |
|---|---|
| Freight revenue | $1,216,242,909 |
| Passenger revenue | 407,369,929 |
| Other revenue | 148,139,392 |
| Total operating revenues | 1,771,752,230 |
| Total operating expenses | 1,541,038,854 |
| Net operating revenue | 230,713,376 |
| Taxes | 58,378,047 |
| Rents, etc | Dr. 20,161,002 |
| Net return | 152,174,327 |
| Property investment (at Dec. 31, 1918) | 7,906,271,148 |
| Per cent of net return on property investment | 1.92 |
| Equal to, per annum | 2.56 |
| Amount necessary for 9 months to yield a rate of 6 per cent per annum on investment | 355,782,202 |
| Additional revenue needed (requiring increase in freight rates) to earn rate of 6 per cent per annum on investment | 203,607,875 |
| Percentage of increase in freight revenue required to earn rate of 6 per cent per annum on investment | 16.74 |
| Revenues per mile of line | 27,920 |
| Investment per mile of line | 124,591 |
| Mileage operated | 63,457.82 |

*Income account of railroads in Southern classification territory for 9 months ended Sept. 30, 1919, property investment, per cent net return bears thereto, amount necessary to yield a return on basis of rate of 6 per cent per annum, and additional revenue needed, also percentage thereof to freight revenue to earn at rate of 6 per cent on property investment.*

| | |
|---|---|
| Freight revenue | $308,453,293 |
| Passenger revenue | 122,780,099 |
| Other revenue | 31,369,415 |
| Total operating revenues | 462,602,807 |
| Total operating expenses | 408,327,872 |
| Net operating revenue | 54,274,935 |
| Taxes | 16,724,237 |
| Rents, etc | Dr. 2,326,195 |
| Net return | 35,224,503 |
| Property investment (at Dec. 31, 1918) | 2,149,239,978 |
| Per cent of net return on property investment | 1.64 |
| Equal to, per annum | 2.19 |
| Amount necessary for 9 months to yield a rate of 6 per cent per annum on investment | 96,715,799 |
| Additional revenue needed (requiring increase in freight rates) to earn rate of 6 per cent per annum on investment | 61,491,296 |
| Percentage of increase in freight revenue required to earn at rate of 6 per cent per annum on investment | 19.94 |
| Revenues per mile of line | 12,319 |
| Investment per mile of line | 57,236 |
| Mileage operated | 37,550.55 |

*Income account of railroads in western classification territory for 9 months ended Sept. 30, 1919, property investment, per cent net return bears thereto, amount necessary to yield a return on basis of rate of 6 per cent per annum, and additional revenue needed, also percentage thereof to freight revenue to earn at rate of 6 per cent on property investment.*

TRANSCONTINENTAL LINES.

| | |
|---|---|
| Freight revenue | $418,785,689 |
| Passenger revenue | 140,669,849 |
| Other revenue | 41,249,999 |
| Total operating revenue | 600,655,537 |
| Total operating expenses | 454,763,121 |
| Net operating revenues | 145,892,416 |

| | |
|---|---|
| Texas | $28,462,900 |
| Rents, etc. | Dr. 1,688,733 |
| Net return | 115,740,783 |
| Property investment (at Dec. 31, 1918) | 3,560,058,225 |
| Per cent of net return on property investment | 3.25 |
| Equal to, per annum | 4.33 |
| Amount necessary for 9 months to yield a rate of 6 per cent per annum on investment | 160,202,620 |
| Additional revenue needed (requiring increase in freight rates) to earn rate of 6 per cent per annum on investment | 44,461,837 |
| Percentage of increase in freight revenue required to earn at rate of 6 per cent per annum on investment | 10.62 |
| Revenues per mile of line | 13,145 |
| Investment per mile of line | 77,912 |
| Mileage operated | 45,693.11 |

SOUTHWESTERN LINES.

| | |
|---|---|
| Freight revenue | $93,949,585 |
| Passenger revenue | 34,663,147 |
| Other revenue | 7,674,192 |
| Total operating revenues | 136,286,924 |
| Total operating expenses | 121,434,742 |
| Net operating revenue | 14,852,182 |
| Taxes | 4,950,261 |
| Rents, etc | Dr. 2,848,136 |
| Net return | 7,053,785 |
| Property investment (at Dec. 31, 1918) | 742,889,819 |
| Per cent of net return on property investment | 0.95 |
| Equal to, per annum | 1.27 |
| Amount necessary for 9 months to yield a rate of 6 per cent per annum on investment | 33,430,042 |
| Additional revenue needed (requiring increase in freight rates) to earn rate of 6 per cent per annum on investment | 26,376,257 |
| Percentage of increase in freight revenue required to earn at rate of 6 per cent per annum on investment | 28.07 |
| Revenues per mile of line | 8,884 |
| Investment per mile of line | 48,424 |
| Mileage operated | 15,341.35 |

WESTERN LINES.

| | |
|---|---|
| Freight revenue | $506,367,747 |
| Passenger revenue | 169,686,907 |
| Other revenue | 52,126,316 |
| Total operating revenues | 728,180,970 |
| Total operating expenses | 605,326,828 |
| Net operating revenue | 122,854,142 |
| Taxes | 28,978,199 |
| Rents, etc | Dr. 8,612,174 |
| Net return | 85,263,769 |
| Property investment (at Dec. 31, 1918) | 3,726,375,774 |
| Per cent of net return on property investment | 2.29 |
| Equal to, per annum | 3.05 |
| Amount necessary for nine months to yield a rate of 6 per cent per annum on investment | 167,686,910 |
| Additional revenue needed (requiring increase in freight rates) to earn rate of 6 per cent per annum on investment | 82,423,141 |
| Percentage of increase in freight revenue required to earn at rate of 6 per cent per annum on investment | 16.28 |
| Revenues per mile of line | 11,038 |
| Investment per mile of line | 56,487 |
| Mileage operated | 65,969.25 |

ALL ROADS.

| | |
|---|---|
| Freight revenue | $1,019,053,021 |
| Passenger revenue | 345,019,903 |
| Other revenue | 101,050,507 |
| Total operating revenues | 1,465,123,431 |
| Total operating expenses | 1,181,524,691 |
| Net operating revenues | 283,598,740 |
| Taxes | 62,391,360 |
| Rents, etc | 13,149,043 |
| Net return | 208,058,337 |
| Property investment (at Dec. 31, 1918) | 8,029,323,818 |
| Per cent of net return on property investment | 2.59 |
| Equal to, per annum | 3.45 |
| Amount necessary for 9 months to yield a rate of 6 per cent per annum on investment | 361,319,572 |
| Additional revenue needed (requiring increase in freight rates) to earn rate of 6 per cent per annum on investment | 153,261,235 |
| Percentage of increase in freight revenues required to earn at rate of 6 per cent on investment | 15.04 |
| Revenues per mile of line | 11,536 |
| Investment per mile of line | 63,221 |
| Mileage operated | 127,003.71 |

*Roads included in territorial statements.*

Official classification territory (New England lines):
Bangor & Aroostook.
Boston & Albany.
Boston & Maine.
Central New England.
Central Vermont.
Grand Trunk in New England.
Maine Central.
New York, New Haven & Hartford.
Rutland.
International Ry. of Maine.

Official classification territory (except New England lines):
Ann Arbor.
Baltimore & Ohio.
Bessemer & Lake Erie.
Buffalo & Susquehanna.
Buffalo, Rochester & Pittsburgh.
Chesapeake & Ohio.
Central R. R. of New Jersey.
Chicago & Erie.
Chicago & Eastern Illinois.
Chicago, Indianapolis & Louisville.
Chicago, Terre Haute & Southeastern.
Cincinnati, Indianapolis & Western.
Cincinnati Northern.
Cleveland, Cincinnati, Chicago & St. Louis.
Cumberland Valley.
Delaware & Hudson.
Delaware, Lackawanna & Western.
Detroit & Mackinac.
Detroit, Toledo & Ironton.
Detroit & Toledo Shore Line.
Erie.
Grand Rapids & Indiana.
Grand Trunk Western.
Hocking Valley.
Kanawha & Michigan.
Lake Erie & Western.
Lehigh & Hudson River.
Lehigh & New England.
Lehigh Valley.
Long Island.
Michigan Central.
Monongahela.
New York Central.
New York, Chicago & St. Louis.
New York, Ontario & Western.
New York, Philadelphia & Norfolk.
New York, Susquehanna & Western.
Norfolk & Western.
Pere Marquette.
Pennsylvania Railroad, East.
Pennsylvania Railroad, West.
Pittsburgh & Lake Erie.
Philadelphia & Reading.
Pittsburg & Shawmut.
Pittsburgh & West Virginia.
Pittsburgh, Cincinnati, Chicago & St. Louis.
Toledo & Ohio Central.
Toledo, Peoria & Western.
Toledo, St. Louis & Western.
Ulster & Delaware.
Virginian.
Wabash.
West Jersey & Seashore.
Western Maryland.
Wheeling & Lake Erie.

Southern classification territory:
Alabama & Vicksburg.
Alabama Great Southern.
Atlanta & West Point.
Atlanta, Birmingham & Atlantic.
Atlantic Coast Line.
Carolina, Clinchfield & Ohio.
Central of Georgia.
Charleston & Western Carolina.
Cincinnati, New Orleans & Texas Pacific.
Florida East Coast.
Georgia Railroad.
Georgia, Southern & Florida.
Gulf & Ship Island.
Illinois Central.
Gulf, Mobile & Northern.
Louisville & Nashville.
Louisville, Henderson & St. Louis.
Mississippi Central.
Mobile & Ohio.
Nashville, Chattanooga & St. Louis.
New Orleans & Northeastern.
New Orleans Great Northern.
Norfolk Southern.
Richmond, Fredericksburg & Potomac.
Seaboard Air Line.
Southern Railway.
Southern Railway in Mississippi.
Tennessee Central.
Yazoo & Mississippi Valley.

Western territory (transcontinental lines):
Arizona Eastern.
Atchison, Topeka & Santa Fe.
Great Northern.
Los Angeles & Salt Lake.
Northern Pacific.
Northwestern Pacific.
Oregon Short Line.
Oregon-Washington Railroad & Navigation.
Southern Pacific.
Spokane, Portland & Seattle.
Sunset lines: Galveston, Harrisburg & San Antonio; Houston & Texas Central; Houston, East & West Texas; Louisiana Western; Morgan, Louisiana & Texas R. R. & Steamship; Texas & New Orleans.
Union Pacific.
Western Pacific.

Western territory (southwestern lines):
El Paso & Southwestern.
Fort Worth & Denver City.
Fort Worth & Rio Grande.
Gulf Coast lines: Beaumont, Sour Lake & Western; New Orleans, Texas & Mexico; St. Louis, Brownsville & Mexico.
Gulf, Colorado & Santa Fe.
International & Great Northern.
Kansas City, Mexico & Orient.
Kansas City Southern.

Louisiana & Arkansas.
Midland Valley.
Missouri & North Arkansas.
Missouri, Kansas & Texas of Texas.
Missouri, Oklahoma & Gulf.
St. Louis-San Francisco & Texas.
St. Louis Southwestern.
St. Louis Southwestern of Texas.
San Antonio & Aransas Pass.
Texas & Pacific.
Trinity & Brazos Valley.
Vicksburg & Shreveport & Pacific.
Wichita Falls & Northwestern.
Western territory (western lines):
Chicago & Alton.
Chicago & North Western.
Chicago, Burlington & Quincy.
Chicago Great Western.
Chicago, Milwaukee & St. Paul.
Chicago, Peoria & St. Louis.
Chicago, Rock Island & Pacific.
Chicago, St. Paul, Minneapolis & Omaha.
Colorado & Southern.
Denver & Rio Grande.
Denver & Salt Lake.
Duluth & Iron Range.
Duluth, Missabe & Northern.
Duluth, South Shore & Atlantic.
Elgin, Joliet & Eastern.
Minneapolis & St. Louis.
Minneapolis, St. Paul & Sault Ste. Marie.
Mineral Range.
Missouri, Kansas & Texas.
Missouri Pacific.
St. Louis-San Francisco.

DETAILS FROM WHICH APPENDIX F IS COMPILED.

*Statement of net income for 9 months ended Sept. 30, 1919, of railroads in official classification territory (New England lines), property investment, per cent of net return on property investment, net income required to earn return at rate of 6 per cent per annum on property investment, and results after an increase in freight revenue of 28.03 per cent is effected.*

| Road. | Net income 9 months ended Sept. 30, 1919. | Property investment (at Dec. 31, 1918). | Per cent of net return on property investment. | Net income required for 9 months to earn rate of 6 per cent per annum on property investment. | Results after increasing freight revenue 28.03 per cent, being the increase necessary to earn a return at rate of 6 per cent per annum. | | |
|---|---|---|---|---|---|---|---|
| | | | | | Net income. | Excess over requirements. | Additional requirements. |
| Bangor & Aristook | $46,868 | $30,172,818 | 0.16 | $1,357,776 | $845,876 | $511,900 | |
| Boston & Albany | 1,173,492 | 59,234,657 | 1.98 | 2,665,560 | 4,094,944 | | $1,429,381 |
| Boston & Maine | 3,308,856 | 211,567,905 | 1.56 | 9,520,555 | 11,889,904 | | 2,369,349 |
| Central New England | [1]106,989 | 27,320,263 | | 1,229,412 | 1,134,014 | 95,398 | |
| Central Vermont | [1]716,634 | 17,397,035 | | 782,867 | 150,795 | 632,072 | |
| Grand Trunk in New England | [1]711,407 | 9,091,108 | | 409,100 | [1]195,081 | 604,181 | |
| Maine Central | [1]991,743 | 59,638,637 | | 2,683,739 | 1,294,185 | 1,389,554 | |
| New York, New Haven & Hartford | 4,361,478 | 308,499,318 | 1.41 | 13,882,469 | 14,112,064 | | 229,595 |
| Rutland | 120,411 | 23,805,659 | .51 | 1,071,255 | 645,645 | 425,610 | |
| International Railway of Maine | [1]407,723 | 8,219,867 | | 369,894 | [1]2,291 | 372,185 | |
| Total | 6,076,609 | 754,947,267 | .80 | 33,972,627 | 33,970,035 | | |

[1] Deficit.

*Statement of net income for 9 months ended Sept. 30, 1919, of railroads in official classification territory (except New England lines), property investment, per cent of net return on property investment, net income required to earn return at rate of 6 per cent per annum on property investment, and results after an increase in freight revenue of 15.73 per cent is effected.*

| Road. | Net income 9 months ended Sept. 30, 1919. | Property investment (at Dec. 31, 1918). | Per cent of net return on property investment. | Net income required for 9 months to earn rate of 6 per cent per annum on property investment. | Results after increasing freight revenue 15.73 per cent, being the increase necessary to earn a return at rate of 6 per cent per annum. | | |
|---|---|---|---|---|---|---|---|
| | | | | | Net income. | Excess over requirements. | Additional requirements. |
| Ann Arbor | $393,893 | $17,664,560 | 2.23 | $794,905 | $779,341 | | $15,564 |
| Baltimore & Ohio | 3,178,338 | 633,381,906 | .50 | 28,502,185 | 18,619,725 | | 9,882,460 |
| Bessemer & Lake Erie | 2,354,661 | 53,965,045 | 4.36 | 2,428,427 | 3,827,105 | $1,398,678 | |
| Buffalo & Susquehanna | [1]252,523 | 10,633,070 | | 478,488 | [1]9,167 | | 487,655 |
| Buffalo, Rochester & Pittsburgh | [1]746,403 | 66,439,337 | | 2,989,770 | 663,239 | | 2,326,531 |
| Chesapeake & Ohio | 8,142,932 | 263,916,160 | 3.09 | 11,876,227 | 14,342,044 | 2,465,817 | |
| Central R. R. of New Jersey | 1,940,765 | 145,329,949 | 1.33 | 6,539,848 | 5,728,795 | | 811,053 |
| Chicago & Erie | 281,787 | 32,749,179 | .86 | 1,473,713 | 1,249,482 | | 224,231 |
| Chicago & Eastern Illinois | [1]742,921 | 84,266,677 | | 3,792,000 | 1,362,866 | | 2,429,134 |
| Chicago, Indianapolis & Louisville | 602,510 | 41,249,380 | 1.46 | 1,856,222 | 1,553,638 | | 302,584 |
| Chicago, Terre Haute & Southeastern | [1]213,151 | 24,946,968 | | 1,122,614 | 225,945 | | 896,669 |
| Cincinnati, Indianaoplis & Western | [1]387,341 | 14,489,108 | | 652,010 | [1]140,969 | | 792,979 |
| Cincinnati Northern | 363,384 | 5,108,776 | 7.11 | 229,895 | 666,422 | 436,527 | |
| Cleveland, Cincinnati, Chicago & St. Louis | 10,216,707 | 196,966,776 | 5.19 | 8,863,505 | 15,919,800 | 7,056,295 | |
| Cumberland Valley | 281,191 | 11,627,369 | 2.42 | 523,232 | 801,872 | 278,640 | |
| Delaware & Hudson | 1,754,698 | 110,122,794 | 1.59 | 4,955,526 | 5,179,229 | 223,703 | |
| Delaware, Lackawanna & Western | 8,697,026 | 228,631,125 | 3.80 | 10,288,401 | 14,695,350 | 4,406,949 | |
| Detroit & Mackinac | [1]112,405 | 6,605,678 | | 297,256 | 19,105 | | 278,151 |
| Detroit, Toledo & Ironton | [1]479,233 | 22,770,058 | | 1,024,653 | [1]96,538 | | 1,121,191 |
| Detroit & Toledo Shore Line | 795,398 | 4,794,901 | 16.59 | 215,771 | 1,076,422 | 860,651 | |
| Erie | [1]179,252 | 398,820,302 | | 17,946,914 | 7,825,549 | | 10,121,365 |
| Grand Rapids & Indiana | 364,222 | 23,591,269 | 1.54 | 1,061,607 | 980,166 | | 81,441 |
| Grand Trunk Western | 2,314,000 | 50,841,581 | 4.55 | 2,287,871 | 4,242,518 | 1,954,647 | |
| Hocking Valley | 1,433,915 | 48,132,337 | 2.98 | 2,165,955 | 2,558,693 | 392,738 | |
| Kanawha & Michigan | 132,532 | 20,911,837 | .63 | 941,033 | 540,304 | | 400,729 |
| Lake Erie & Western | [1]38,022 | 45,760,192 | | 2,059,209 | 935,986 | | 1,123,223 |
| Lehigh & Hudson River | 235,203 | 6,403,484 | 3.67 | 288,157 | 525,248 | 237,091 | |
| Lehigh & New England | 580,526 | 14,939,456 | 3.89 | 672,276 | 992,926 | 320,650 | |
| Lehigh Valley | 2,762,501 | 217,948,126 | 1.27 | 9,807,666 | 8,701,025 | | 1,106,641 |
| Long Island | 2,980,730 | 83,892,006 | 3.55 | 3,775,140 | 3,689,639 | | 85,501 |
| Michigan Central | 12,453,062 | 158,819,303 | 7.84 | 7,146,869 | 18,307,820 | 11,160,951 | |
| Monongahela | 802,958 | 16,690,354 | 4.81 | 751,066 | 1,182,567 | 431,501 | |
| New York Central | 34,698,409 | 983,001,939 | 3.53 | 44,235,086 | 54,779,937 | 10,544,851 | |
| New York, Chicago & St. Louis | 3,456,461 | 73,976,211 | 4.67 | 3,328,929 | 5,919,155 | 2,590,226 | |
| New York, Ontario & Western | 1,078,667 | 91,050,503 | 1.18 | 4,097,273 | 1,825,655 | | 2,271,618 |
| New York, Philadelphia & Norfolk | 669,111 | 11,599,398 | 5.77 | 521,973 | 1,393,949 | 871,976 | |
| New York, Susquehanna & Western | [1]76,905 | 39,008,531 | | 1,755,384 | 236,609 | | 1,518,775 |
| Norfolk & Western | 8,120,570 | 289,247,036 | 2.81 | 13,016,117 | 15,224,979 | 2,208,862 | |
| Pere Marquette | 5,230,161 | 102,184,660 | 5.12 | 4,598,310 | 8,203,590 | 3,605,280 | |
| Pennsylvania R. R., east | 15,457,562 | 1,037,192,696 | 1.49 | 46,673,670 | 43,710,130 | | 2,963,540 |
| Pennsylvania R. R., west | 6,869,133 | 259,214,694 | 2.65 | 11,664,661 | 15,735,505 | 4,070,844 | |
| Pittsburgh & Lake Erie | 2,759,655 | 75,637,321 | 3.65 | 3,403,679 | 5,541,954 | 2,138,275 | |
| Philadelphia & Reading | 2,041,895 | 212,831,658 | .96 | 9,577,425 | 8,785,070 | | 792,355 |
| Pittsburgh & Shawmut | [1]167,442 | 13,358,527 | | 601,134 | [1]39,502 | | 640,636 |

[1] Deficit.

*Statement of net income for 9 months ended Sept. 30, 1919, of railroads in official classification territory (except New England lines), etc.*—Continued.

| Road. | Net income 9 months ended Sept. 30, 1919. | Property investment (at Dec. 31, 1918). | Per cent of net return on property investment. | Net income required for 9 months to earn rate of 6 per cent per annum on property investment. | Results after increasing freight revenue 15.73 per cent, being the increase necessary to earn a return at rate of 6 per cent per annum. | | |
|---|---|---|---|---|---|---|---|
| | | | | | Net income. | Excess over requirements. | Additional requirements. |
| Pittsburgh & West Virginia | [1]$535,903 | $28,912,048 | | $1,301,042 | [1]$409,590 | | $1,710,632 |
| Pittsburgh, Cincinnati, Chicago & St. Louis | 2,820,832 | 244,619,666 | 1.15 | 11,007,885 | 10,048,429 | | 959,456 |
| Toledo & Ohio Central | 103,742 | 29,933,472 | .35 | 1,347,006 | 1,029,239 | | 317,767 |
| Toledo, Peoria & Western | [1]154,674 | 10,021,029 | | 450,946 | [1]44,382 | | 495,328 |
| Toledo, St. Louis & Western | 471,553 | 40,451,078 | 1.17 | 1,820,299 | 1,284,501 | | 535,798 |
| Ulster & Delaware | [1]120,663 | 5,863,026 | | 263,836 | [1]43,171 | | 307,007 |
| Virginian | 1,730,427 | 93,324,785 | 1.85 | 4,199,615 | 2,874,139 | | 1,325,476 |
| Wabash | 204,421 | 207,972,735 | .10 | 9,358,773 | 4,117,300 | | 5,241,473 |
| West Jersey & Seashore | 593,039 | 24,159,280 | 2.45 | 1,087,168 | 1,007,603 | | 79,565 |
| Western Maryland | 74,343 | 137,729,521 | .05 | 6,197,828 | 1,514,295 | | 4,683,533 |
| Wheeling & Lake Erie | 861,635 | 77,625,006 | 1.11 | 3,493,125 | 2,134,552 | | 1,358,573 |
| Total | 146,097,717 | 7,151,323,881 | 2.04 | 321,809,575 | 321,776,093 | | |

[1] Deficit.

*Statement of net income for 9 months ended Sept. 30, 1919, of railroads in southern classification territory, property investment, per cent of net return on property investment, net income required to earn return at rate of 6 per cent per annum on property investment, and results after an increase in freight revenue of 19.94 per cent is effected.*

| Road. | Net income 9 months ended Sept. 30, 1919. | Property investment (at Dec. 31, 1918). | Per cent of net return on property investment. | Net income required for 9 months to earn rate of per cent per annum on property investment. | Results after increasing freight revenue 19.94 per cent, being the increase necessary to earn a return at rate of 6 per cent per annum. | | |
|---|---|---|---|---|---|---|---|
| | | | | | Net income. | Excess over requirements. | Additional requirements. |
| Alabama & Vicksburg | $119,405 | $5,799,434 | 2.06 | $260,975 | $386,284 | $125,309 | |
| Alabama Great Southern | 827,624 | 25,961,391 | 3.19 | 1,168,263 | 1,885,221 | 716,958 | |
| Atlanta & West Point | 384,991 | 4,779,097 | 8.06 | 215,059 | 572,390 | 357,331 | |
| Atlanta, Birmingham & Atlantic | [1]777,187 | 39,554,663 | | 1,779,960 | 226,791 | | $2,006,751 |
| Atlantic Coast Line | 4,339,684 | 189,017,431 | 2.30 | 8,505,784 | 10,176,561 | 1,670,777 | |
| Carolina, Clinchfield & Ohio | 867,114 | 59,497,970 | 1.46 | 2,677,409 | 1,661,571 | | 1,015,838 |
| Central of Georgia | 1,209,512 | 73,885,771 | 1.64 | 3,324,860 | 3,105,584 | | 219,276 |
| Charleston & Western Carolina | 148,365 | 8,373,090 | 1.77 | 376,789 | 477,393 | 100,604 | |
| Cincinnati, New Orleans & Texas Pacific | 734,363 | 46,758,750 | 1.57 | 2,104,144 | 2,440,362 | 336,218 | |
| Florida East Coast | 865,618 | 52,734,311 | 1.64 | 2,373,044 | 1,728,490 | | 644,554 |
| Georgia R. R | 887,127 | 5,950,798 | 14.91 | 267,786 | 1,443,494 | 1,175,708 | |
| Georgia Southern & Florida | 72,481 | 12,909,519 | .56 | 580,928 | 480,778 | | 100,150 |
| Gulf & Ship Island | [1]38,645 | 14,427,842 | | 649,253 | 210,960 | | 438,293 |
| Gulf, Mobile & Northern | [1]70,036 | 23,845,108 | | 1,073,030 | 225,507 | | 847,523 |
| Illinois Central | 3,739,167 | 345,336,454 | 1.08 | 15,540,140 | 14,779,412 | | 760,728 |
| Louisville & Nashville | 7,443,393 | 297,386,414 | 2.50 | 13,382,389 | 18,592,427 | 5,210,038 | |
| Louisville, Henderson & St. Louis | 352,127 | 8,120,896 | 4.34 | 365,440 | 647,369 | 281,929 | |
| Mississippi Central | [1]102,902 | 8,322,121 | | 374,495 | [1]13,457 | | 387,952 |
| Mobile & Ohio | [1]956,875 | 47,661,565 | | 2,144,770 | 805,865 | | 1,338,905 |
| Nashville, Chattanooga & St. Louis | 590,390 | 42,234,663 | 1.40 | 1,900,560 | 2,476,630 | 576,070 | |
| New Orleans & Northeastern | 243,406 | 18,799,218 | 1.29 | 845,965 | 853,451 | 7,486 | |
| New Orleans Great Northern | 48,844 | 16,164,605 | .30 | 727,407 | 298,403 | | 429,004 |
| Norfolk Southern | [1]46,384 | 31,525,612 | | 1,418,653 | 559,029 | | 859,624 |
| Richmond, Fredericksburg & Potomac | 2,284,981 | 10,188,922 | 22.43 | 458,501 | 2,852,997 | 2,394,496 | |
| Seaboard Air Line | 1,939,992 | 183,949,677 | 1.05 | 8,277,735 | 5,531,651 | | 2,746,084 |
| Southern Ry | 7,016,567 | 487,458,780 | 1.44 | 21,935,645 | 18,599,895 | | 3,335,750 |
| Southern Ry. in Mississippi | [1]101,776 | 1,613,750 | | 72,619 | 46,398 | | 26,221 |
| Tennessee Central | [1]386,858 | 19,815,712 | | 891,707 | [1]100,122 | | 991,829 |
| Yazoo & Mississippi Valley | 3,570,015 | 67,106,414 | 5.32 | 3,022,489 | 6,232,350 | 3,209,861 | |
| Total | 35,224,503 | 2,149,239,978 | 1.64 | 96,715,799 | 96,730,093 | | |

[1] Deficit.

*Statement of net income for 9 months ended Sept. 30, 1919, of railroads in western classification territory (transcontinental lines), property investment, per cent of net return on property investment, net income required to earn return at rate of 6 per cent per annum on property investment, and results after an increase in freight revenue of 10.62 per cent is effected.*

| Road. | Net income 9 months ended Sept. 30, 1919. | Property investment (at Dec. 31, 1918). | Per cent of net return on property investment. | Net income required for 9 months to earn rate of 6 per cent per annum on property investment. | Results after increasing freight revenue 10.62 per cent, being the increase necessary to earn a return at rate of 6 per cent per annum. | | |
|---|---|---|---|---|---|---|---|
| | | | | | Net income. | Excess over requirements. | Additional requirements. |
| Arizona Eastern | $417,998 | $20,197,778 | 2.07 | $908,900 | $643,456 | | $265,444 |
| Atchison, Topeka & Santa Fe | 25,897,394 | 732,988,251 | 3.53 | 32,984,471 | 35,121,371 | $2,136,900 | |
| Great Northern | 10,084,185 | 464,408,099 | 2.17 | 20,898,364 | 16,000,880 | | 4,897,484 |
| Los Angeles & Salt Lake | 2,061,814 | 82,774,419 | 2.49 | 3,724,849 | 2,976,222 | | 748,627 |
| Northern Pacific | 12,371,141 | 498,673,966 | 2.48 | 22,440,328 | 17,898,602 | | 4,541,726 |
| Northwestern Pacific | 838,953 | 66,790,116 | 1.26 | 3,005,555 | 1,100,592 | | 1,904,963 |
| Oregon Short Line | 7,005,515 | 118,944,808 | 5.89 | 5,352,516 | 9,200,030 | 3,847,514 | |
| Oregon-Washington R. R. & Navigation | 2,689,385 | 161,384,739 | 1.67 | 7,262,313 | 4,188,167 | | 3,074,146 |
| Southern Pacific | 20,616,640 | 796,464,249 | 2.59 | 35,840,891 | 29,220,874 | | 6,620,017 |
| Spokane, Portland & Seattle | 1,359,870 | 60,301,347 | 2.26 | 2,713,561 | 1,746,596 | | 966,965 |
| Sunset Lines | 5,270,818 | 139,875,057 | 3.77 | 6,294,378 | 7,997,342 | 1,702,964 | |
| Union Pacific | 25,407,945 | 327,012,567 | 7.77 | 14,716,916 | 31,585,476 | 16,868,560 | |
| Western Pacific | 1,719,125 | 90,212,829 | 1.91 | 4,059,578 | 2,530,905 | | 1,528,673 |
| Total | 115,740,783 | 3,560,058,225 | 3.25 | 160,202,620 | 160,210,513 | | |

*Statement of net income for 9 months ended Sept. 30, 1919, of railroads in western classification territory (southwestern lines), property investment, per cent of net return on property investment, net income required to earn return at rate of 6 per cent per annum on property investment, and results after an increase in freight revenue of 28.07 per cent is effected.*

| Road. | Net income 9 months ended Sept. 30, 1919. | Property investment (at Dec. 31, 1918). | Per cent of net return on property investment. | Net income required for 9 months to earn rate of 6 per cent per annum on property investment. | Results after increasing freight revenue 28.07 per cent being the increase necessary to earn a return at rate of 6 per cent per annum. | | |
|---|---|---|---|---|---|---|---|
| | | | | | Net income. | Excess over requirements. | Additional requirements. |
| El Paso & Southwestern | $2,389,007 | $56,138,114 | 4.26 | $2,526,215 | $4,413,379 | $1,887,164 | |
| Fort Worth & Denver City | 2,275,615 | 25,650,941 | 8.87 | 1,154,292 | 3,738,883 | 2,584,591 | |
| Fort Worth & Rio Grande | [1] 21,219 | 8,126,716 | | 365,702 | 143,887 | | $221,815 |
| Gulf Coast Lines | 1,047,941 | 33,607,342 | 3.12 | 1,512,330 | 2,241,594 | 729,264 | |
| Gulf, Colorado & Santa Fe | 1,083,455 | 61,530,229 | 1.76 | 2,768,861 | 3,924,695 | 1,155,834 | |
| International & Great Northern | [1] 1,042,424 | 41,617,446 | | 1,872,785 | 995,890 | | 876,895 |
| Kansas City, Mexico & Orient | [1] 430,917 | 28,742,252 | | 1,293,401 | [1] 210,935 | | 1,504,336 |
| Kansas City Southern | 966,696 | 83,030,410 | 1.16 | 3,736,368 | 3,292,742 | | 443,626 |
| Louisiana & Arkansas | [1] 177,184 | 12,203,522 | | 549,158 | 141,758 | | 407,400 |
| Midland Valley | 375,243 | 17,809,635 | 2.11 | 801,434 | 948,482 | 147,048 | |
| Missouri & North Arkansas | [1] 537,367 | 18,071,940 | | 813,237 | [1] 339,732 | | 1,152,969 |
| Missouri, Kansas & Texas of Texas | [1] 415,999 | 67,008,793 | | 3,015,397 | 2,668,971 | | 346,426 |
| Missouri, Oklahoma & Gulf | [1] 691,209 | 8,195,025 | | 368,776 | [1] 467,426 | | 836,202 |
| St. Louis-San Francisco & Texas | [1] 128,717 | 10,368,089 | | 466,564 | 125,201 | | 341,363 |
| St. Louis Southwestern | 1,862,642 | 72,451,320 | 2.57 | 3,260,309 | 4,003,255 | 742,946 | |
| St. Louis Southwestern of Texas | [1] 979,304 | 30,660,374 | | 1,379,717 | [1] 32,571 | | 1,412,288 |
| San Antonio & Aransas Pass | [1] 764,521 | 24,456,142 | | 1,100,527 | [1] 176,257 | | 1,276,784 |
| Texas & Pacific | 2,626,956 | 115,263,411 | 2.28 | 5,186,853 | 7,442,745 | 2,255,892 | |
| Trinity & Brazos Valley | [1] 553,018 | 11,436,556 | | 514,645 | [1] 349,498 | | 864,143 |
| Vicksburg, Shreveport & Pacific | 348,280 | 9,296,216 | 3.75 | 418,330 | 778,391 | 360,031 | |
| Wichita Falls & Northwestern | [1] 180,171 | 7,225,346 | | 325,141 | 141,981 | | 183,160 |
| Total | 7,053,875 | 742,889,819 | .95 | 33,430,042 | 33,425,435 | | |

[1] Deficit.

*Statement of net income for 9 months ended Sept. 30, 1919, of railroads in western classification territory (western lines), property investment, per cent of net return on property investment, net income required to earn return at rate of 6 per cent per annum on property investment, and results after an increase in freight revenue of 16.28 per cent is effected.*

| Road. | Net income 9 months ended Sept. 30, 1919. | Property investment (at Dec. 31, 1918). | Per cent of net return on property investment. | Net income required for 9 months to earn rate of 6 per cent per annum on property investment. | Results after increasing freight revenue 16.28 per cent, being the increase necessary to earn a return at rate of 6 per cent per annum. | | |
|---|---|---|---|---|---|---|---|
| | | | | | Net income. | Excess over requirements. | Additional requirements. |
| Chicago & Alton | $196,075 | $123,647,555 | 0.16 | $5,564,140 | $2,280.712 | | $3,283,428 |
| Chicago & North Western | 11,428,716 | 406,275,150 | 2.81 | 18,282,382 | 22,368,089 | $4,085,707 | |
| Chicago, Burlington & Quincy | 19,349,915 | 513,205,990 | 3.77 | 23,094,270 | 31,931,685 | 8,837,415 | |
| Chicago Great Western | 976,512 | 70,000,000 | 1.40 | 3,150,000 | 2,670,653 | | 479,347 |
| Chicago, Milwaukee & St. Paul | 2,037,833 | 609,443,985 | .33 | 27,424,979 | 14,655,673 | | 12,769,306 |
| Chicago, Peoria & St. Louis | [1] 663,936 | 8,321,279 | | 374,458 | [1] 514,304 | | 888,762 |
| Chicago, Rock Island & Pacific | 7,022,600 | 337,810,233 | 2.08 | 15,201,461 | 15,531,493 | 330,032 | |
| Chicago, St. Paul, Minneapolis & Omaha | 1,882,688 | 80,408,355 | 2.34 | 3,618,376 | 3,980,505 | 362,129 | |
| Colorado & Southern | 1,303,732 | 82,625,450 | 1.58 | 3,718,145 | 2,483,593 | | 1,234,552 |
| Denver & Rio Grande | 4,079,076 | 180,244,717 | 2.26 | 8,111,012 | 6,845,361 | | 1,265,651 |
| Denver & Salt Lake | [1] 675,978 | 27,259,582 | | 1,226,681 | [1] 400,431 | | 1,627,112 |
| Duluth & Iron Range | 3,078,008 | 29,929,305 | 10.32 | 1,342,319 | 4,074,222 | 2,731,903 | |
| Duluth, Missabe & Northern | 10,230,271 | 41,873,640 | 24.43 | 1,884,314 | 12,659,407 | 10,775,093 | |
| Duluth, South Shore & Atlantic | 66,036 | 48,510,603 | .14 | 2,182,977 | 453,227 | | 1,729,750 |
| Elgin, Joliet & Eastern | 3,015,854 | 43,792,541 | 6.89 | 1,970,664 | 5,108,997 | 3,138,333 | |
| Minneapolis & St. Louis | 26,595 | 70,460,452 | .04 | 3,170,720 | 1,191,761 | | 1,978,959 |
| Minneapolis, St. Paul & Sault Ste. Marie | 3,465,239 | 186,111,870 | 1.86 | 8,375,034 | 7,138,055 | | 1,236,979 |
| Mineral Range | [1] 72,328 | 3,547,852 | | 159,653 | 16,778 | | 142,875 |
| Missouri, Kansas & Texas | 3,428,389 | 176,040,953 | 1.95 | 7,921,843 | 6,308,961 | | 1,612,882 |
| Missouri Pacific | 4,275,498 | 335,974,187 | 1.27 | 15,118,838 | 12,031,398 | | 3,087,440 |
| St. Louis-San Francisco | 10,812,974 | 350,992,075 | 3.08 | 15,794,644 | 16,884,604 | 1,089,960 | |
| Total | 85,263,769 | 3,726,375,774 | 2.29 | 167,686,910 | 167,700,439 | | |

[1] Deficit.

APPENDIX G.

INTERSTATE COMMERCE COMMISSION,
*Washington, November 7, 1919.*

Hon. FRANK B. KELLOGG,
*United States Senate.*

MY DEAR SENATOR KELLOGG: The inclosed statements show the net railway capital segregated as to stocks and bonds and the property investment of steam roads of Classes I, II, and III from 1910 to 1918. Switching companies are not included. The segregation between stocks and bonds as to net capital was not made prior to 1910.

The net capital can not be given for Class I roads and their subsidiaries separately. The property investment of such companies on December 31, 1917, was as follows:

| | |
|---|---|
| Class I operating companies | $14,822,227,582 |
| Nonoperating companies subsidiary to Class I | 2,939,924,545 |
| Total | 17,762,152,127 |

Although the corresponding figure has not been published in statistical reports prior to 1917, a close approximation can be made on a percentage basis as follows:

*Property investment of Class I roads and their nonoperating subsidiaries.*

| | |
|---|---|
| Dec. 31— | |
| 1918 | $18,119,269,921 |
| 1917 | 17,762,152,127 |
| 1916 | 16,884,440,038 |
| June 30— | |
| 1916 | $16,688,440,056 |
| 1915 | 16,257,146,632 |
| 1914 | 15,842,127,273 |
| 1913 | 15,284,763,489 |
| 1912 | 14,632,497,022 |
| 1911 | 14,246,167,475 |

As to the proportion of the roads under Federal control, it may be of assistance to note that out of a total of $932,607,366 net railway operating income for the test period approximately $916,441,811, or 98.3 per cent, represents all steam roads under Federal control of Classes I, II, and III and switching and terminal companies.

Respectfully,
GEORGE B. MCGINTY, *Secretary.*

*Reported property investment of steam roads of Classes I, II, and III and their nonoperating subsidiaries.*

| | |
|---|---|
| Dec. 31— | |
| 1918 | $19,005,065,288 |
| 1917 | 18,574,297,873 |
| 1916 | 17,842,776,668 |
| June 30— | |
| 1916 | 17,689,425,438 |
| 1915 | 17,441,420,382 |
| 1914 | 17,153,785,568 |
| 1913 | 16,588,603,109 |
| 1912 | 16,004,744,966 |
| 1911 | 15,612,378,845 |
| 1910 | 14,557,816,099 |

*Railway capital of steam roads of Classes I, II, and III and their nonoperating subsidiaries; net amount not held by railway companies.*

| | Total. | Per mile of line. | Stock. | Funded debt. |
|---|---|---|---|---|
| Dec. 31— | | | | |
| 1917 | $16,401,786,017 | $66,699 | $6,582,809,245 | $9,818,976,772 |
| 1916 | 16,332,578,328 | 66,591 | 6,415,963,044 | 9,916,615,284 |
| June 30— | | | | |
| 1916 | 16,336,300,429 | 66,356 | 6,314,570,354 | 10,021,730,075 |
| 1915 | 16,307,502,580 | 66,447 | 6,125,570,387 | 10,181,932,193 |
| 1914 | 15,719,696,925 | 66,661 | 6,011,404,923 | 9,708,292,002 |
| 1913 | 15,330,131,446 | 65,861 | 5,810,231,391 | 9,519,900,055 |
| 1912 | 15,087,600,650 | 63,535 | 5,766,093,888 | 9,321,506,762 |
| 1911 | 15,008,707,570 | 63,944 | 5,844,247,369 | 9,164,460,201 |
| 1910 | 14,338,575,940 | 62,657 | 5,526,991,778 | 8,811,584,162 |

## APPENDIX H.

### *Freight cars.*

Domestic orders, annual average:
- 1901–1918 ........ 161,579
- 1910–1918 ........ 135,431

Domestic deliveries, annual average:
- 1899–1918 ........ 134,310
- 1910–1918 ........ 120,820

### *Passenger cars.*

Domestic orders, annual average:
- 1901–1918 ........ 2,660
- 1910–1918 ........ 2,474

Domestic deliveries, annual average:
- 1899–1918 ........ 2,318
- 1910–1918 ........ 2,640

*Domestic orders for freight and passenger cars, 1901 to 1918.*

| Year. | Freight cars. | Passenger cars. |
|---|---|---|
| 1901 | 193,439 | 2,879 |
| 1902 | 195,248 | 3,459 |
| 1903 | 108,936 | 2,310 |
| 1904 | 136,561 | 2,213 |
| 1905 | 341,315 | 3,289 |
| 1906 | 310,315 | 3,402 |
| 1907 | 151,711 | 1,791 |
| 1908 | 62,669 | 1,319 |
| 1909 | 189,360 | 4,514 |
| 1910 | 141,024 | 3,881 |
| 1911 | 133,117 | 2,623 |
| 1912 | 234,758 | 3,642 |
| 1913 | 146,732 | 3,179 |
| 1914 | 80,264 | 2,002 |
| 1915 | 109,792 | 3,101 |
| 1916 | 170,054 | 2,544 |
| 1917 | 79,367 | 1,167 |
| 1918 | 123,770 | 131 |

NOTE.—Foreign car orders in 1918 amounted to 53,457 freight cars and 26 passenger cars. Detail of orders placed in 1918 were as follows:

Freight-car orders in 1918:

| | | |
|---|---|---|
| Domestic— | | |
| United States Railroad Administration | 100,000 | |
| United States Army or Navy | 740 | |
| Other railroad orders | 1,227 | |
| Private car lines and industrials | 12,146 | |
| Total, United States | 114,113 | |
| Canadian railroads | 9,657 | |
| Total, domestic | | 123,770 |
| Foreign— | | |
| Director General Military Railroads | 36,875 | |
| Other foreign | 16,672 | |
| Total, foreign | | 53,547 |
| Total all orders | | 177,317 |

Passenger-car orders in 1918:

| | |
|---|---|
| Domestic, United States and Canada | 131 |
| Foreign | 26 |
| Total | 157 |

*Freight and passenger cars built, 1899 to 1918.*

| Year. | Freight. | | | Passenger. | | |
|---|---|---|---|---|---|---|
| | Domestic. | Foreign. | Total. | Domestic. | Foreign. | Total. |
| 1899 | 117,982 | 1,904 | 119,886 | 1,201 | 104 | 1,305 |
| 1900 | 113,070 | 2,561 | 115,631 | 1,515 | 121 | 1,636 |
| 1901 | 132,591 | 4,359 | 136,950 | 1,949 | 106 | 2,055 |
| 1902 | 161,747 | 2,800 | 162,599 | (1) | (1) | 1,948 |
| 1903 | 153,195 | 1,613 | 152,801 | (1) | (1) | 2,007 |
| 1904 | 60,955 | 1,995 | 60,806 | (1) | (1) | 2,144 |
| 1905 [2] | 162,701 | 5,305 | 165,155 | (1) | (1) | 2,551 |
| 1906 [2] | 236,451 | 7,219 | 240,503 | (1) | (1) | 3,167 |
| 1907 [2] | 280,216 | 9,429 | 284,188 | (1) | (1) | 5,457 |
| 1908 [2] | 75,344 | 1,211 | 76,555 | 1,645 | 71 | 1,716 |

[1] For years 1902 to 1907 passenger cars built for domestic and foreign service are included in corresponding freight-car columns.
[2] Includes Canadian output.

*Freight and passenger cars built, 1899 to 1918*—Continued.

| Year. | Freight. | | | Passenger. | | |
|---|---|---|---|---|---|---|
| | Domestic. | Foreign. | Total. | Domestic. | Foreign. | Total. |
| 1909 [1] | 91,077 | 2,493 | 93,570 | 2,698 | 151 | 2,849 |
| 1910 [1] | 176,374 | 4,571 | 180,945 | 4,136 | 276 | 4,412 |
| 1911 [1] | 68,961 | 3,200 | 72,161 | 3,938 | 308 | 4,246 |
| 1912 [2] | 148,357 | 4,072 | 152,429 | 2,822 | 238 | 3,060 |
| 1913 [2] | 198,066 | 9,618 | 207,684 | 3,076 | 220 | 3,296 |
| 1914 [2] | (3) | (3) | 104,541 | (3) | (3) | 3,691 |
| 1915 [2] | 59,984 | 14,128 | 74,112 | 1,935 | 14 | 1,949 |
| 1916 [2] | 113,692 | 21,309 | 135,001 | 1,769 | 70 | 1,839 |
| 1917 [2] | 119,363 | 32,038 | 151,401 | 1,969 | 31 | 2,000 |
| 1918 [2] | 81,767 | 42,941 | 124,708 | 1,481 | 92 | 1,573 |

[1] Includes Canadian output.
[2] Includes Canadian output and equipment built in company shops.
[3] Data not available.

*Domestic orders for locomotives 1901 to 1918.*

| | |
|---|---|
| 1901 | 4,340 |
| 1902 | 4,665 |
| 1903 | 3,283 |
| 1904 | 2,538 |
| 1905 | 6,265 |
| 1906 | 5,642 |
| 1907 | 3,482 |
| 1908 | 1,182 |
| 1909 | 3,350 |
| 1910 | 3,787 |
| 1911 | 2,850 |
| 1912 | 4,515 |
| 1913 | 3,467 |
| 1914 | 1,265 |
| 1915 | 1,612 |
| 1916 | 2,910 |
| 1917 | 2,704 |
| 1918 | 2,802 |

*Detail of locomotive orders in 1918.*

| | | |
|---|---|---|
| Domestic: | | |
| United States Railroad Administration | 2,030 | |
| Other railroad orders | 525 | |
| Industrials, etc | 38 | |
| Total United States | 2,593 | |
| Canadian railroads | 209 | |
| Total domestic | | 2,802 |
| Foreign: | | |
| Director general military railroads | 1,404 | |
| Other foreign | 682 | |
| Total foreign | | 2,086 |
| Total of all orders | | 4,888 |

*Locomotives built, 1896 to 1918.*

| Year. | Domestic. | Foreign. | Total. |
|---|---|---|---|
| 1896 | 866 | 309 | 1,175 |
| 1897 | 865 | 386 | 1,251 |
| 1898 | 1,321 | 554 | 1,875 |
| 1899 | 1,951 | 514 | 2,475 |
| 1900 | 2,648 | 505 | 3,153 |
| 1901 | (1) | (1) | 3,384 |
| 1902 | (1) | (1) | 4,070 |
| 1903 | (1) | (1) | 5,152 |
| 1904 | (1) | (1) | 3,441 |
| 1905 [2] | 4,896 | 595 | 5,491 |
| 1906 [2] | 6,232 | 720 | 6,952 |
| 1907 [2] | 6,564 | 798 | 7,362 |
| 1908 [2] | 1,886 | 456 | 2,342 |
| 1909 [2] | 2,596 | 291 | 2,887 |
| 1910 [2] | 4,441 | 314 | 4,755 |
| 1911 [2] | 3,143 | 387 | 3,530 |
| 1912 [3] | 4,403 | 512 | 4,915 |
| 1913 [3] | 4,561 | 771 | 5,332 |
| 1914 [3] | 1,962 | 273 | 2,235 |
| 1915 [3] | 1,250 | 835 | 2,085 |
| 1916 [3] | 2,708 | 1,367 | 4,075 |
| 1917 [3] | 2,585 | 2,861 | 5,446 |
| 1918 [3] | 3,668 | 2,807 | 6,475 |

[1] Data not available.
[2] Includes Canadian output.
[3] Includes Canadian output and equipment built in railroad shops.

## APPENDIX I.

INTERSTATE COMMERCE COMMISSION,
*Washington, August 25, 1919.*

Hon. FRANK B. KELLOGG,
*United States Senate.*

MY DEAR SENATOR KELLOGG: As requested in your letter of August 21, I have checked the statement which you inclosed, and am sending a new copy herewith. I have added the Pennsylvania Railroad and a few other companies and have also shown the dividend rate. I have omitted the Bessemer & Lake Erie from the statement, as the financial organization is such that the dividend rate is misleading. It has a capital stock of only $500,000.

The statement makes practically the same showing as the original which you submitted. The changes are chiefly due to the fact that I have shown the returns of the operating companies as reported to the Interstate Commerce Commission, whereas the statement you inclosed used system figures in some cases.

The dividends shown are the total declared during the year, regardless of whether shown in the income account or the profit and loss account.

It may be noted that in the year 1918 the income account of many of the railroad corporations contains a large deduction which will not obtain in 1919, namely, the net debit on account of revenues and expenses for 1917 carried over into 1918. In a few cases there is a net credit, and some of the roads put these items through the profit and loss account and not through the income account. The amount of this item (net) is shown on a separate sheet attached to the table. On the other hand, other items of fixed charges may be increased in 1919.

Yours, very truly,

M. O. LORENZ, *Statistician.*

*Net debit or credit affecting net income in 1918 on account of lap-over revenues and expenses.*

| | Net debit. | Net credit. |
|---|---|---|
| Eastern district: | | |
| Baltimore & Ohio | ........ | ........ |
| Bangor & Aroostook | ........ | ........ |
| Buffalo & Susquehanna | ........ | $10,627 |
| Buffalo, Rochester & Pittsburgh | ........ | 29,455 |
| Central of New Jersey | $1,211,918 | ........ |
| Cleveland, Cincinnati, Chicago & St. Louis | 1,616,343 | ........ |
| Delaware & Hudson | 300,000 | ........ |
| Delaware, Lackawanna & Western | 123,787 | ........ |
| Erie | 5,286,568 | ........ |
| Lehigh Valley | 1,502,621 | ........ |
| Michigan Central | 2,021,705 | ........ |
| New York Central | 6,548,223 | ........ |
| New York, New Haven & Hartford | 1,157,833 | ........ |
| Pennsylvania R. R. | ........ | ........ |
| Philadelphia & Reading | 1,177,513 | ........ |
| Eastern district—Continued. | | |
| Pittsburgh & Lake Erie | $1,767,377 | ........ |
| Pittsburgh, Cincinnati, Chicago & St. Louis | 1,652,171 | ........ |
| Southern district: | | |
| Alabama Great Southern | ........ | ........ |
| Atlantic Coast Line | 987,683 | ........ |
| Central of Georgia | 310,732 | ........ |
| Chesapeake & Ohio | 96,562 | ........ |
| Illinois Central | 758,887 | ........ |
| Louisville & Nashville | 2,445,157 | ........ |
| Nashville, Chattanooga & St. Louis | 450,172 | ........ |
| Norfolk & Western | ........ | $113,248 |
| Richmond, Fredericksburg & Potomac | 9,685 | ........ |
| Western district: | | |
| Atchison, Topeka & Santa Fe | 2,416,101 | ........ |
| Chicago & North Western | 4,671,889 | ........ |
| Chicago, Burlington & Quincy | 1,921,290 | ........ |
| Chicago, Milwaukee & St. Paul | 4,331,339 | ........ |
| Chicago, Rock Island & Pacific | ........ | ........ |
| Colorado & Southern | 147,718 | ........ |
| El Paso & Southwestern | ........ | 180,540 |
| Great Northern | 1,273,301 | ........ |
| Kansas City Southern | 263,302 | ........ |
| Minneapolis, St. Paul & Sault Ste. Marie | 669,958 | ........ |
| Northern Pacific | 544,247 | ........ |
| Oregon Short Line | 486,814 | ........ |
| Southern Pacific | 1,519,241 | ........ |
| Union Pacific | 872,438 | ........ |

*Condensed corporate income account of 40 railway companies of Class I, calendar year 1918.*

[Compiled from annual reports to the Interstate Commerce Commission, with changes as noted.]

| Name of company. | Actual results for 1918. | | | | | | | If standard return were reduced 25 per cent. | | Rate of dividends. | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Standard return. | Other corporate income. | Gross income before tax deductions. | Deductions from gross income, including taxes. | Net income. | Dividends declared. | Balance after dividends. | Standard return. | Balance after dividends. | | |
| | a | b | c (a+b) | d | e (c−d) | f | g (e−f) | h $\left(\frac{a\times75}{100}\right)$ | i $\left(\frac{g-a\times25}{100}\right)$ | Common. | Preferred. |
| EASTERN DISTRICT. | | | | | | | | | | *Per ct.* | *Per ct.* |
| Baltimore & Ohio | $27,744,740 | $5,200,951 | $32,945,691 | $21,920,288 | $11,025,403 | $9,191,964 | $1,833,439 | $20,808,555 | [1] $5,102,748 | 4½ | 4 |
| Bangor & Aroostook | 1,555,775 | 3,399 | 1,559,174 | 1,075,081 | 484,093 | 398,000 | 86,093 | 1,166,831 | [1] 302,851 | 4 | 7 |
| Buffalo & Susquehanna | 592,628 | 202,475 | 795,103 | 325,960 | 469,143 | 370,000 | 99,143 | 444,471 | [1] 49,014 | 7 | 4 |
| Buffalo, Rochester & Pittsburgh | 3,276,410 | 279,208 | 3,555,618 | 2,407,307 | 1,148,311 | 885,000 | 263,311 | 2,457,308 | 555,792 | 5 | 6 |
| Central of New Jersey [2] | 9,352,301 | 2,106,067 | 11,458,368 | 6,919,571 | 4,538,797 | 3,292,416 | 1,246,381 | 7,014,225 | [1] 1,091,694 | 12 | ........ |
| Cleveland, Cincinnati, Chicago & St. Louis | 9,938,597 | 833,681 | 10,772,278 | 7,651,914 | 3,120,364 | 499,925 | 2,620,439 | 7,453,948 | 135,790 | ........ | 5 |
| Delaware & Hudson | 7,415,149 | 1,400,103 | 8,815,252 | 5,863,895 | 2,951,357 | 2,868,926 | 82,431 | 5,561,362 | [1] 1,771,356 | 6¾ | ........ |
| Delaware, Lackawanna & Western [3] | 15,749,477 | 4,671,992 | 20,421,469 | 6,728,041 | 13,693,428 | 8,444,080 | 5,249,348 | 11,812,108 | 1,311,979 | 20 | ........ |
| Erie | 15,503,939 | 5,927,547 | 21,431,486 | 20,341,693 | 1,089,793 | ........ | 1,089,793 | 11,627,955 | [1] 2,786,192 | ........ | ........ |
| Lehigh Valley | 11,321,233 | 3,113,332 | 14,434,565 | 9,344,071 | 5,090,494 | 6,060,800 | [1] 970,306 | 8,490,925 | [1] 3,800,611 | 10 | 10 |
| Michigan Central | 8,052,127 | 902,980 | 8,955,107 | 8,407,249 | 547,858 | 749,456 | [1] 201,598 | 6,039,095 | [1] 2,214,630 | 4 | ........ |
| New York Central | 55,802,631 | 13,468,290 | 69,270,921 | 51,353,799 | 17,917,122 | 12,479,610 | 5,437,512 | 41,851,973 | [1] 8,513,146 | 5 | ........ |
| New York, New Haven & Hartford | 17,095,884 | 5,562,534 | 22,658,418 | 21,772,726 | 885,692 | ........ | 885,692 | 12,821,913 | [1] 3,388,279 | ........ | ........ |
| Pennsylvania R. R. Co. (Includes 6,813.86 miles) | 65,992,740 | 22,601,747 | 88,594,487 | 44,213,497 | 44,380,990 | 29,950,704 | 14,430,286 | 49,494,555 | [1] 2,067,899 | 6 | ........ |
| Philadelphia & Reading | 15,868,331 | 750,842 | 16,619,173 | 8,060,293 | 8,558,880 | 6,372,255 | 2,186,625 | 11,901,248 | [1] 1,780,458 | 15 | ........ |
| Pittsburgh & Lake Erie | 8,980,219 | 563,832 | 9,544,051 | 4,485,939 | 5,058,112 | 3,598,560 | 1,459,552 | 6,735,164 | [1] 785,503 | 10 | ........ |
| Pittsburgh, Cincinnati, Chicago & St. Louis | 11,334,094 | 416,492 | 11,750,586 | 8,672,777 | 3,077,809 | 3,380,971 | [1] 303,162 | 8,500,571 | [1] 3,136,685 | | ........ |
| SOUTHERN DISTRICT. | | | | | | | | | | | |
| Alabama Great Southern | 1,703,180 | 153,584 | 1,856,764 | 687,339 | 1,169,425 | 784,725 | 384,700 | 1,277,385 | [1] 41,095 | 7 | 7 |
| Atlantic Coast Line | 10,180,915 | 3,881,239 | 14,062,154 | 7,765,005 | 6,297,149 | 4,808,993 | 1,488,156 | 7,635,686 | [1] 1,057,075 | 7 | 5 |
| Central of Georgia | 3,450,903 | 720,238 | 4,171,141 | 2,965,853 | 1,205,288 | 1,150,000 | 55,288 | 2,588,178 | [1] 807,438 | 5 | 6 |
| Chesapeake & Ohio | 13,226,983 | 1,863,861 | 15,090,844 | 10,246,583 | 4,844,261 | 2,511,264 | 2,332,997 | 9,920,237 | [1] 973,749 | 4 | ........ |
| Illinois Central | 16,282,374 | 8,273,006 | 24,555,380 | 13,598,678 | 10,956,702 | 7,650,490 | 3,306,212 | 12,211,780 | [1] 764,381 | 7 | ........ |
| Louisville & Nashville | 17,310,495 | 3,212,630 | 20,523,125 | 11,345,132 | 9,177,993 | 5,040,000 | 4,137,993 | 12,982,871 | [1] 189,631 | 7 | ........ |
| Nashville, Chattanooga & St. Louis | 3,182,089 | 302,635 | 3,484,724 | 2,096,717 | 1,388,007 | 1,120,000 | 268,007 | 2,386,567 | [1] 527,515 | 7 | ........ |
| Norfolk & Western | 20,634,142 | 1,000,160 | 21,634,302 | 5,829,775 | 15,804,527 | 9,357,103 | 6,447,424 | 15,475,607 | 1,288,889 | 7 | 4 |
| Richmond, Fredericksburg & Potomac | 1,137,374 | 99,073 | 1,236,447 | 448,132 | 788,315 | 452,731 | 335,584 | 853,031 | 51,241 | 9 | 9 |
| WESTERN DISTRICT. | | | | | | | | | | | |
| Atchison, Topeka & Santa Fe | 38,493,725 | 9,171,733 | 47,665,458 | 19,340,159 | 28,325,299 | 19,498,280 | 8,827,019 | 28,870,294 | [1] 796,412 | 6 | 5 |
| Chicago & North Western | 23,201,015 | 2,839,191 | 26,040,206 | 16,229,384 | 9,810,822 | 11,952,275 | [1] 2,141,453 | 17,400,761 | [1] 7,941,707 | 7 | 8 |
| Chicago, Burlington & Quincy | 33,360,683 | 3,202,348 | 36,563,031 | 13,770,531 | 22,792,500 | 8,867,128 | 13,925,372 | 25,020,512 | 5,585,201 | 8 | ........ |
| Chicago, Milwaukee & St. Paul | 27,594,551 | 2,446,936 | 30,041,487 | 23,584,126 | 6,457,361 | ........ | 6,457,361 | 20,695,913 | [1] 441,277 | ........ | ........ |
| Chicago, Rock Island & Pacific | 14,912,379 | 1,322,670 | 16,235,049 | 10,945,329 | 5,289,720 | 3,566,027 | 1,723,693 | 11,184,284 | [1] 2,004,402 | (4) | (4) |
| Colorado & Southern | 2,481,212 | 1,457,681 | 3,938,893 | 2,562,521 | 1,376,372 | 680,000 | 696,372 | 1,860,909 | 76,069 | ........ | 4 |
| El Paso & Southwestern | 4,135,114 | 2,656,592 | 6,791,706 | 3,240,006 | 3,551,700 | 2,000,000 | 1,551,700 | 3,101,335 | 517,922 | 8 | ........ |
| Great Northern | 28,666,681 | 6,068,938 | 34,735,710 | 15,941,773 | 18,793,846 | 17,462,842 | 1,331,004 | 21,500,011 | [1] 5,835,666 | ........ | 7 |
| Kansas City Southern | 3,216,698 | 390,942 | 3,607,640 | 2,626,805 | 980,835 | 840,000 | 140,835 | 2,412,524 | [1] 663,339 | ........ | 4 |
| Minneapolis, St. Paul & Sault Ste. Marie | 10,547,429 | 448,716 | 10,996,145 | 7,783,014 | 3,213,131 | 2,646,714 | 566,417 | 7,910,572 | [1] 2,070,440 | 7 | 7 |
| Northern Pacific | 30,089,692 | 8,132,615 | 38,222,307 | 18,092,973 | 20,129,334 | 17,360,000 | 2,769,334 | 22,567,269 | [1] 4,753,089 | 7 | ........ |
| Oregon Short Line | 10,196,750 | 4,917,682 | 15,114,432 | 7,000,103 | 8,114,329 | 7,000,000 | 1,114,329 | 7,647,563 | [1] 1,434,858 | 6 | ........ |
| Southern Pacific | 38,421,847 | 32,766,901 | 71,188,748 | 47,098,219 | 24,090,529 | 16,404,055 | 7,686,474 | 28,816,385 | [1] 1,918,988 | 7 | ........ |
| Union Pacific | 23,700,009 | 17,933,166 | 41,633,175 | 12,206,400 | 29,426,775 | 26,210,900 | 3,215,875 | 17,775,007 | [1] 2,709,127 | 10 | 4 |

[1] Deficit.
[2] This company has accrued in 1918 only 90 per cent of its standard return. In this statement this has been increased to 100 per cent.
[3] Div. ob. 5 per cent guar.
[4] 7 per cent on 7 per cent preferred stock; 6 per cent on 6 per cent preferred stock.

PROPOSED WATER-POWER LEGISLATION.

Mr. JONES of Washington. Mr. President, I would not do anything to delay or hinder the consideration and passage of the railroad bill. I understand, however, that there is no one who desires to discuss it this afternoon, and that but very little further consideration will be given to it to-day. So I am very much in the position of the gentleman who attended a meeting, and finding no one desirous of discussing the subject for which the meeting was called, decided that he would submit some remarks on another subject.

There is a bill on the calendar, Mr. President, that deals with a subject of scarcely less importance than this railroad legislation, which I hope to have the Senate consider as soon as the pending bill is disposed of. So I am going to discuss that measure for just a little while this afternoon in the hope that by taking the time that is not going to be used now I can save a little time when that bill comes up for consideration and get earlier action upon it.

I refer to water-power legislation. The House has already passed a bill dealing with that very important question. It has been the subject of discussion for many years, and we hope that at this session Congress will take action upon it. It may not be necessary, Mr. President, to point out the importance of water-power development, but its great need will justify me in doing so at this time.

Conflict is the zest of life between nations, whether it be on the battle field in time of war or fighting for world trade in time of peace. Plentiful cheap energy derived from hydroelectric power used for manufacture of explosives, munitions, and supplies and to release man power for the Army and Navy in war time and to turn the factory wheels to enable success in competition with other nations for the markets of the world in times of peace is one of the greatest aids to success that a nation can have.

If 10 years ago, instead of enacting restrictive laws which have prohibited development of our water powers, Congress had invited their development through fair and reasonable terms, the beginning of the World War would have found the United States with 20,000,000 developed hydroelectric power instead of 5,000,000. Indeed, it is not too much to say that Germany would have hesitated before entering the conflict with probability of having to face a Nation possessing such an enormous amount of harnessed physical force wherewith to back up its armies. As it was, the beginning of the Great War found us short of coal, short of oil, short of power, and half a billion dollars was expended inside of two years in the erection of steam-power plants, many of which, built haphazard under war-time stress, are now useless owing to unfavorable location. Through failure of Congress to pass water-power laws under which money could be safely invested with prospect of a fair return, water powers now wasting have been held back from development in at least 22 States of the Union, as follows:

*Actual water-power developments which are projected to be undertaken upon navigable streams upon enactment of a rational Federal water-power act.*

| State. | River. | Horsepower to be developed. | Miles of inland waterway improved. |
|---|---|---|---|
| Washington | Columbia | 410,000 | 160 |
| Do | Pend Oreille | 250,000 | 80 |
| Montana | Missouri | 100,000 | 110 |
| Minnesota | St. Croix | 30,000 | 26 |
| Iowa | Des Moines | 60,000 | 201 |
| Maryland | Susquehanna | 110,000 | 15 |
| Massachusetts-Connecticut | Connecticut | 30,000 | 23 |
| Georgia | Chattahoochee | 138,000 | 138 |
| Alabama | Tennessee | 410,000 | 35 |
| Tennessee | Clinch | 25,000 | 14 |
| Alabama | Coosa | 180,000 | 76 |
| Kentucky | Cumberland | 26,000 | 71 |
| Georgia | Flint | 20,000 | 12 |
| North Carolina | Little Tennessee | 200,000 | 84 |
| Virginia | New | 20,000 | 10 |
| Do | Roanoke | 35,000 | 20 |
| South Carolina-Georgia | Savannah | 78,000 | 85 |
| | | 2,122,000 | 1,160 |

It is estimated that in addition to the above the development of over 2,000,000 horsepower would be undertaken upon non-navigable streams in the States of California, Idaho, Oregon, Nevada, Montana, Utah, Colorado, and Arkansas.

The report of the Geological Survey shows that our consumption of coal for all purposes during the year 1913 was about 570,000,000 short tons, of which the railroads alone used about 20 per cent. This tremendous tonnage requires for mining and transportation the labor of 1,500,000 men and the use of over 1,000,000 freight cars and 40,000 locomotives. In addition to this the petroleum used in 1913 was equivalent to 24,000,000 tons of coal. Every water horsepower now going to waste which could be economically substituted for fuel power would represent approximately 5½ tons of coal per year, based on an average of 12 hours per day. The labor of one man is released for other uses every time 50 hydroelectric horsepower is developed, and every 150 water horsepower developed releases one freight car for other duty. To indicate what are the possibilities of conservation along this line we need merely to reflect upon the fact that the ultimate development of the 61,678,000 horsepower contained in the rivers and streams of the United States on the foregoing coal consumption basis of a 24-hour day is equivalent to the annual use of nearly 780,000,000 tons of coal—being a little more than the total amount of coal used in the United States—which at $2 per ton represents an annual value of $1,560,000,000. Of course this represents the maximum attainable development, which will not be approached for a long period, but it also represents the end which may finally be achieved.

The largest amount of water power in any one State is contained in my State of Washington, which has nearly 10,000,000 water horsepower, of which less than 3 per cent has been developed. There coal is mined and steam-power plants are operated within the sound of descending waters, and trainloads of coal are imported each day from British Columbia.

Through a silent, barren, desert country in the center of our State, where the rainfall is less than 5 inches per year, where the population does not average one person to the square mile, and where hundreds of thousands of acres of the best soil in the world lie parched and unproductive for lack of water, flows the mighty Columbia, twelfth largest river of the world. For 70 miles it washes desolate, arid shores, which if the water could be lifted from the river to the land would teem with agricultural life and population. And in the river in the midst of this desolation lies latent the means which, if utilized, would lift the water to the thirsty land in the great Priest Rapids water power, now wasting but capable of producing 250,000 primary—all the year round—horsepower, available for great industries which will be established as soon as the electrical energy is available for use. And, providentially, as the irrigation season begins in March, the melting snows and glaciers of the mountains on the northern Columbia cause the river to rise to double its winter volume, and from March to October make another 250,000 horsepower, together with abundance of water available for agricultural purposes. I give you this object lesson, because it is one that has come under my personal observation; but it is only one of many projects in many different States which have been held back from development for years solely because Congress has not enacted the legislation which would make it possible. Every undeveloped water power for which a market now exists represents a waste of an inexhaustible natural resource.

Mr. NORRIS. Is the Senator going to speak of any other river?

Mr. JONES of Washington. No; I am not going to refer to any other.

Mr. NORRIS. I notice in the table another river is mentioned——

Mr. JONES of Washington. The Pend Oreille River.

Mr. NORRIS. In the Pend Oreille River there seem to be more water-power possibilities than in the Columbia.

Mr. JONES of Washington. No; I think not.

Mr. NORRIS. Is not that true?

Mr. JONES of Washington. No; I think not.

Mr. NORRIS. I judged that from the table as I hurriedly glanced at it. I may be mistaken.

Mr. JONES of Washington. I think the Senator is mistaken. The Columbia has 410,000 horsepower and the Pend Oreille 250,000.

Mr. NORRIS. Then I was mistaken.

Mr. JONES of Washington. The utilization of even one-third of the enormous amount of energy latent but now wasting in our falling waters would make the United States the greatest manufacturing country of the world. The development of our water powers is intimately connected with the solution of such great national problems as the national defense; extension of inland waterways; shortage of food; conservation of coal, oil, and labor; irrigation of arid lands; and railroad car shortage. In addition to conserving vast quantities of coal and labor to mine and handle it, the hydroelectric energy existing in our running waters will, when developed, be utilized in the manufacture of explosives, fertilizers, wood pulp and paper, electrochemicals, copper and aluminum, and in other industrial applications.

I might say here that probably every Member of the Senate has had brought to his attention the very serious condition confronting the print-paper industry of the country. Newspaper plants are threatened with being closed on account of lack of paper supply. I desire to have printed in the RECORD as a part of my remarks at this point a letter from Samuel P. Weston, formerly manager of a great newspaper in my State, with reference to this particular situation and the particular importance of the development of water power in connection with wood-pulp and print-paper manufacture. I ask permission to print that in the RECORD without reading it.

The PRESIDING OFFICER (Mr. SMOOT in the chair). Without objection, permission is granted.

The letter referred to is as follows:

NEW YORK, *November 26, 1919.*

Senator WESLEY L. JONES,
*Senate Office Building, Washington, D. C.*

MY DEAR SENATOR: I have been delayed in writing you the letter with regard to the bearing the water-power legislation will have on the newsprint supply of this country, owing to having been called to Toronto on my return from Washington, where I was detained several days.

I will try to give you the information briefly and in a general way. First, it should be kept in mind that power is one of the main essentials in the manufacture of mechanical pulp. Next, the power should be situated as closely as possible to the pulp-wood stands.

The paper-making industry of the United States was centralized in the northern tier of States, more particularly in New York State, where there were large stands of spruce and pulp-wood timbers. During the past 25 years these pulp-wood stands have been in a large measure exhausted. Up to 1910 practically all the newsprint used in the United States was produced in this country. In 1918 the production of newsprint in the United States was less than in 1910. In other words, while the consumption was steadily increased, the production of American mills was decreased.

In the same period, between 1910 and 1918, the sales of Canadian mills of newsprint to the United States increased 2,600 per cent, Canadian production having gone from 161,000 tons in 1910 to 738,000 tons in 1918.

Up to 1910 Canada permitted the export of pulp cut from Crown lands. In 1910 the export of pulp-wood timbers from Crown lands was prohibited. Immediately following this came a rapid transfer of newsprint manufacture to Canada, with the result that practically all of the new paper-mill developments during the past 10 years have been made in Canada.

While the consumption of newsprint in the United States is, in round figures, 2,000,000 tons per year, of which the American mills manufacture 1,250,000 tons, these figures do not convey the real situation with regard to the industry, as in order to manufacture this amount of tonnage the American mills import from Canada 750,000 tons of ground wood pulp and sulphite, securing only 500,000 tons of their raw materials from the American pulp-wood stands.

The paper mills located in New York State produce practically one-half of the total tonnage of American mills, yet it is estimated by the Forest Service Department that the remaining pulp-wood stands in New York would not supply these mills beyond 10 years. The same estimates indicate that the pulp-wood stands of New York and the New England States will be exhausted within 20 years.

According to the general estimates of the Forest Service Department, there are pulp-wood timber stands in that portion of the country lying west of the Rocky Mountains and in Alaska to the extent of 244,000,000,000 feet board measure, over one-half of which is in the forest reserve. The estimate for the Tongas district of southeastern Alaska is 70,000,000,000 feet.

In order to make this vast resource available for paper making requires the passage of the water-power legislation, so that the necessary water-power developments may be financed.

It is not necessary to point out to you that the water powers lying in that section of the country west of the Rocky Mountains and in Alaska are practically all in the public domain, and the possibility of their development is dependent, in the first instance, on the passage of adequate water-power legislation.

Herewith is a table showing the estimated pulp-wood stands in the Western States, together with the estimated water-power possibility:

| | Pulp-wood timber. | Water power. |
|---|---|---|
| | *Feet b. m.* | *Horsepower.* |
| Oregon | 15,750,000,000 | 7,505,000 |
| Washington | 70,030,000,000 | 9,990,000 |
| Idaho | 12,950,000,000 | 2,919,000 |
| Montana | 15,750,000,000 | 4,809,000 |
| California | 32,617,000,000 | 8,865,000 |
| Colorado | 13,889,000,000 | 1,950,000 |
| Southeastern Alaska | 70,000,000,000 | .......... |

As you are aware, the American Newspaper Association has for the past two years been very actively urging the passage of water-power legislation, and the members of this association, which includes the leading daily newspapers of the country, have hoped for early action on the measure, as it is believed that its passage will be of beneficial interest to the Nation at large and will make available for early utilization the vast pulp-wood-timber resources in the West and the production of news print and paper products will be increased in this country.

At the present moment the news-print paper situation in the United States is the most acute in the history of the country, jeopardizing the entire publishing business in all parts of the country and threatening to force the suspension of many papers, both large and small. It is stated by the paper manufacturers that the present demand for news print is more than 10 per cent in excess of the production capacity of the mills in United States and Canada. The prices, which were $40 a ton in 1914, now run from a minimum of $90 a ton to $150 a ton. In many instances publishers have been unable to secure contracts for their 1920 requirements. Publishers who have heretofore been able to contract on terms of one, two, and three years are now limited to contracts on three-months basis and for a reduced tonnage.

I am quite certain that it will appeal to you that under our form of government it is a serious matter to have the newspapers of this country, from the smallest country weekly to the largest metropolitan daily, put in jeopardy when we have within the borders of the United States unused resources the utilization of which to any large extent is denied on account of the inadequate laws with relation to the water-power development in the public domain. The place of the press in the political and economic operation of our Government is such that any disaster which threatens the well-being of the publishing business is a matter of direct and vital interest to every citizen of the United States.

I have not attempted to give you more than a general survey of the situation. If there is any other point that you desire more fully covered, I will be very glad to cover the same to the best of my ability. I would also point out to you that the newspapers of the country themselves are endeavoring to meet the present emergency by every possible economy in the use of paper. They are limiting the size of the editions, cutting down the amount of advertising space published, increasing the rates both for subscription and advertising. It seems to be the opinion, however, of the leading publishers that the only relief that can be expected will be the utilization of the western pulp-wood timber where the same is available. To that end certain large paper-mill undertakings to be located on the Pacific coast have been under consideration for the past two years, their establishment, however, being dependent on the passage of the water-power legislation under which the necessary water-power developments may be financed.

Yours, very truly,

S. P. WESTON.

Mr. JONES of Washington. Mr. President, under new electrical processes our deposits of phosphates, clays, and minerals would be used to an enormous extent. The power would also be used for electrification of thousands of miles of railroads. Pumping plants driven by this cheap hydroelectric power would furnish water to reclaim fully 10,000,000 acres of now desert lands in locations where the power is now wasting and the lands useless, though their shores are washed by great rivers, and this at a time when increase of crops is so much needed to bring down cost of living and to furnish homes and employment to thousands of agriculturists. Over 4,000 miles of the upper reaches of our streams would be opened to navigation. The cost of these river improvements would be upward of $800,000,000, and if accomplished by private capital for purpose of power production instead of through taxation would not cost the Government a dollar except for the bare locks and removal of minor obstacles in those portions of the streams not connected with power development.

If these river improvements were in one stream, it would be equivalent to creating a navigable waterway across the continent from New York to San Francisco. But in reality it means the extension of navigation for an aggregate of 4,000 miles in 35 rivers, traversing 20 States, in such widely different sections of the country as Connecticut, Massachusetts, Pennsylvania, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Alabama, Georgia, Tennessee, Florida, Arkansas, Ohio, Kentucky, Missouri, Wisconsin, Minnesota, Washington, and Idaho. In this way cheap water transportation would be afforded to districts but now sparsely settled and congestion of traffic relieved in thickly populated centers through the investment of private capital instead of through river and harbor appropriations by Congress.

Mr. WARREN. Has the Senator the names of those rivers and the approximate mileage that would be opened in each?

Mr. JONES of Washington. Not of the particular rivers. I am just submitting really a summary of my investigations.

Mr. WARREN. It is very interesting, and I thought perhaps the Senator has such a list.

Mr. JONES of Washington. I have not a detailed statement, but I will say to the Senator that the matter I am presenting is based upon a careful investigation of the different streams and different possibilities.

In view of the great economical success of the electrification of 1,000 miles of the Chicago, Milwaukee & St. Paul Railroad, it is almost certain that in the near future a majority of the railroads operating through the mountainous country of the far West, where hydroelectric power can be developed cheaply, will adopt electricity as motive power. Forty-eight thousand seven hundred miles of railroad are now being operated in the States of Washington, Oregon, California, Idaho, Montana, Wyoming, North Dakota, South Dakota, Utah, Arizona, Colorado, and Nevada. It is estimated that 10,000 horsepower is needed to operate 100 miles of single track, and therefore it will require 4,870,000 horsepower to electrify all of the railroads in these States, or one-ninth of the total hydroelectric power possible to develop in the territory traversed by these railroads.

Mr. FLETCHER. May I interrupt the Senator to inquire whether he has pursued his studies so as to enable him to answer a question as to how far we can transmit electric power, the distance of transmission, and the losses occurring by reason of transmission?

Mr. JONES of Washington. It is uncertain how far electric power can be transmitted, but it has been shown that it can be economically transmitted at least 200 or 250 miles.

Mr. FLETCHER. That is my recollection of it. It is my recollection that the power generated at Hales Bar, about 15 miles below Chattanooga on the Tennessee River, is transmitted to Nashville, about 150 miles away, and is there used to operate the street cars.

Mr. JONES of Washington. I think power has been transmitted as far as 400 miles, but I do not think it has been demonstrated conclusively that that is economically wise. The possibilities in that direction are really unknown as yet.

A great portion of the trackage is over mountain divisions, and the use of electricity in place of coal will result in great economy of operation, obviate the danger of forest fires, and by elimination of noise, smoke, gas, and dust, and through a more generous ventilation, which will be possible when the flying cinder need no longer be taken into account, will make travel far more safe, comfortable, and pleasant than at present, and it will go far toward curing the freight-transportation problem through relieving car shortage, as the cars now used for carrying coal for railroad use can be used to carry freight.

Great electrochemical manufacturing plants will be built in many different parts of the country, coincident with the development of hydroelectric energy, for the manufacture of such chemicals as calcium carbide, caustic soda, bleaching powder, abrasives, and electrodes; in electrolytic treatment of metals and alloys such as copper, zinc, aluminum, silicon, and vanadium; and in production of acetone and atmospheric nitric acid, used in making powder and explosives.

Other countries are awake to the necessity of developing their water powers. A French corporation with $250,000,000 of capital is about to undertake the utilization of 700,000 horsepower now wasting in the River Rhone, and incidentally these improvements will, through canalization, make it possible for boats to go up the Rhone to its connection with the River Rhine and thence down the Rhine. Italy, which is entirely without coal, is about to develop her water powers on an immense scale. Spain is offering liberal concessions looking to the development of her water powers now wasting in the Pyrenees and other mountain ranges. Great hydroelectric projects are about to be undertaken in the Scandinavian countries and in South America. American bankers are being pressed by advantageous offers to finance many of these foreign water-power developments. American engineers are being employed to construct them, and American manufacturers of water wheels and power machinery are booking orders for their capacity for foreign shipment. If Congress delays enactment of a workable water-power law the development of the water powers of this country may have to await completion of foreign hydroelectric projects before they can be begun, because the necessary money, skilled men, and machinery will have gone abroad and not be available here. Already American concerns because of lack of available water power in the United States, caused by its being impossible to develop them under present Federal laws, have been forced to establish electrochemical plants in Canada, Norway, and France. These expatriated plants, costing millions of dollars and employing thousands of men, have developed over 250,000 horsepower in foreign countries which should have been located in the United States.

Mr. President, at this point I desire to insert in the RECORD two or three letters which I have received with reference to this matter. One is from the William Cramp & Sons Ship & Engine Building Co., pointing out conditions that have been brought to their attention. One statement of the letter I wish to read, as follows:

> You may be interested to know that at the present time this company is receiving about three foreign inquiries for water-power machinery to every one received from within the United States. Some of the countries from which such inquiries are coming are Canada, Spain, France, and Great Britain. If orders should be placed for manufacture in this country in a volume corresponding to the inquiries now being received we may see our shops filled with foreign orders instead of for machinery for use in this country.

Another letter is from the S. Morgan Smith Co., manufacturers of water wheels, power-transmitting machinery, and so forth. Another is from the Allis-Chalmers Manufacturing Co. (Inc.), the letter being written by the "assistant to chairman." I shall not take the time to read anything from the other letters, but I hope that Senators will read them.

The PRESIDING OFFICER. Without objection, the letters referred to by the Senator from Washington will be inserted in the RECORD.

The letters referred to are as follows:

THE WILLIAM CRAMP & SONS SHIP & ENGINE BUILDING CO.,
*Philadelphia, October 9, 1919.*

Subject: Bill (H. R. 3184) to create a Federal power commission, etc.

Hon. WESLEY L. JONES,
*United States Senate, Washington, D. C.*

SIR: On behalf of the William Cramp & Sons Ship & Engine Building Co., I desire to urge most strongly the passage of the above bill at the earliest possible date.

This company, as one of the largest, and probably the largest, manufacturer of water-power machinery in this country, is in close touch with the situation existing in the field of water-power development, both in this country and abroad. It would seem to us to require no argument that one of the most important elements during the present reconstruction period in this country is the immediate development of our natural resources, and of these none is more important than the development of our enormous potential water powers.

The utilization of our water-power resources has in the last few years come to a standstill, and at present there are practically no developments of major importance being carried out in this country. The shops of this company which are normally intended for the manufacture of the machinery required in water-power plants are almost completely idle, and we have been obliged to lay off a large part of our force in this department on account of the lack of orders; and we know that the same condition exists with all of the manufacturers in this country. This condition corresponds to a similar situation in the construction of the dams, canals, power houses, and other large works required in carrying out water-power projects. In the whole of this field idleness exists, and this is the condition at the very time when the country is faced with a serious fuel shortage and with extremely high costs of power throughout the industrial field. The chief cause in maintaining this situation is the delay of Congress in taking any measures which would relieve the water-power field from the artificial and obsolete legislative restrictions now existing.

The passage of the bill now before the Senate would effectually relieve the situation and its early adoption will be most earnestly advocated by all those who are conversant with the industrial situation.

A very practical and far from negligible means of offsetting the ever-increasing trend of prices is the reduction in the cost of power to our industries, which can be effected by the adequate use of our water-power resources. Until Congress enacts the necessary legislation, however, water-power projects will remain at a standstill awaiting the decision of Congress on this point. In contrast to the situation in this country, many foreign countries have adopted a governmental policy of active promotion of water-power projects. Instead of permitting restrictive legislation to prohibit such development, in a number of foreign countries aid and encouragement is given in order to promote such development. You may be interested to know that at the present time this company is receiving about three foreign inquiries for water-power machinery to every one received from within the United States. Some of the countries from which such inquiries are coming are Canada, Spain, France, and Great Britain. If orders should be placed for manufacture in this country in a volume corresponding to the inquiries now being received we may see our shops filled with foreign orders instead of for machinery for use in this country.

Assuring you of our earnest support in anything you may do to forward the development of water power in the United States, we are,

Yours, very truly,
THE WILLIAM CRAMP & SONS SHIP & ENGINE BUILDING CO.
J. H. MULL, *President.*

S. MORGAN SMITH & CO.,
*York, Pa., October 13, 1919.*

Hon. WESLEY L. JONES,
*United States Senate, Washington, D. C.*

DEAR SIR: We understand that the water-power bill which has been in Congress for several years will shortly come up again for consideration. As you have had to do with the framing of this bill, we thought it might be interesting to you to receive from us an expression on the subject as we see it at the present time.

We are one of the largest manufacturers of turbine water wheels in the country. We have a large plant equipped with machinery especially adapted to the building of turbine water wheels, and have worked, at times, as many as 900 men.

Ever since the passage of the bill restricting the development of water powers, about eight or nine years ago, the industry has suffered very much, until at the present time we are working less than 250 men in the manufacturing of water wheels, with no prospects of any improvement; in fact, there has been no new water-power development work east of the Rocky Mountains in the last five years worth speaking of, nor is there any going on at the present time. Some of the existing companies are making repairs and moderate extensions to their present developments, but the situation is such that it is impossible to get money into new development work, and we believe there will be no change until a favorable water-power bill is put through Congress, the delaying of which, in our opinion, may prove disastrous if not speedily acted on.

The manufacturers of water wheels can not hold their plants open indefinitely for water-wheel trade, and from the best information we believe that the major part of them, same as ourselves, are "casting around" for other lines of business, and if taken up, the hydroelectric people may find it impossible to secure equipment in the event they should suddenly require it.

Yours, very truly,

C. ELMER SMITH, *President.*

—

ALLIS-CHALMERS MANUFACTURING CO. (INC.),
*New York, November 3, 1919.*

Hon. WESLEY L. JONES,
*United States Senate, Washington, D. C.*

MY DEAR SIR: Understanding that you are interested in the proposed water-power legislation in the United States Senate, permit me to affirm my great disappointment in the continued postponement of said legislation, because, in my judgment, it is a matter of vital importance to our national prestige.

Both in my capacity as a private citizen of the United States, interested in the wise development of its natural resources in the public interest, and as an officer of Allis-Chalmers Manufacturing Co., a manufacturer of hydroelectric machinery, I have given much thought to water power for a number of years.

During the war I demonstrated the nationel need in this particular, and a considerable correspondence held with the Fuel Administration; Judge Parker, the then priorities commissioner; and the electrical and power-equipment section of the War Industries Board led to the appointment of a water-power expert to investigate the possible development of such power to meet a serious emergency.

I have been instrumental in interesting assemblies of the Chamber of Commerce of the United States, which led to the issuance of a referendum, educing the biggest vote ever cast by the organization membership up to that time—a vote that exhibited a remarkable unanimity of business opinion throughout the United States on the urgent need of legislation in expediting our water-power development.

I have participated in many discussions of our water-power situation before war conventions of business and other large conferences of national organizations which have furnished opportunities to test the general sentiment in this regard. This, I believe, makes me competent to assert a strong conviction that we are actually losing ground by allowing foreign nations to surpass us in the development of their water powers and eventually give them the advantage they seek in our competition for world trade. This is already appreciated, as the following proves:

In 1917 an expert commission reported to Parliament that the United States are markedly superior industrially because their workmen have behind them over 50 per cent more power than British workmen, and a strong plea was presented for a rapid development of more "motive" power with a minimum consumption of fuel. As water power alone fully meets this specification, without a doubt the present active interest in the British development of its water power finds its inception in this report.

A similar activity in foreign lands everywhere, stimulated greatly by a critical fuel situation, is evidenced by an increase in foreign orders with our hydroelectric machinery manufacturers. I am informed that some water-power machinery manufacturers have actually more foreign than domestic orders now on their books, and Allis-Chalmers for one is receiving to-day five times more foreign than domestic inquiries for such machinery. This is suggestive, and I leave it to your good judgment what situation may arise if our manufacturing capacity in water-power machinery be crowded by the greater enterprise of foreign nations at a time when our own needs become insistent. Although our present producing capacity in such machinery far exceeds any probable domestic demand, as such foreign demand can easily be ten times any possible home requirement the possibilities in this regard deserve our best consideration. Furthermore, the special engineerng and high mechanical skill required in this production prevents a quick expansion of such facilities, even if present manufacturers, who have suffered loss for many years from a stagnation in water-power development resulting from the uncertainty present laws induce, should care to undertake such expansion.

I may repeat much that you already know and only crave your indulgence on the ground that reiteration often emphasizes the need.

With great respect I beg to remain,

Faithfully, yours,

W. W. NICHOLS,
*Assistant to Chairman.*

Mr. JONES of Washington. Why not give those who would develop our wasting water powers the right to work, the right to build and expand and develop, the right to help create a greater and more powerful industrial Nation? Why not give them a law to work under which shall encourage and not hamper their just activities—a law which, while placing them under the constant supervision of the public authorities, and sufficiently safeguarding every public interest, yet shall be of such a fair and businesslike nature that under its operation men may hope for a generous return for their work and risk, and capital be assured of a safe investment? This done, they will open up deserts and make farms; they will build factories and cities, open up new reaches of inland waterways, employ labor, and reduce the cost of living.

The necessity for the development of our water power is of paramount importance to the people of the United States, and Congress should enact a law without further delay the terms of which will make the investment of capital safe and not prevent a reasonable return.

The bill now before the Senate is perhaps too restrictive in the terms and requirements it imposes on the capital invested and upon the details of operation, but water-power men tell me they can work under it, and I trust that the Senate may pass the committee bill without in any way making its terms more onerous.

Mr. President, I now desire to refer to the terms of the bill and to give a short synopsis of it for the RECORD.

The bill creates a Federal water-power commission consisting of the Secretaries of War, Interior, and Agriculture, to which is given authority over all matters over which the Federal Government has jurisdiction, pertaining to the development of water powers in navigable streams and the improvement of navigation incident thereto, over the development of water powers in the public domain, and the development of water powers in the national forests. Under the laws now in force the development of water powers contained in navigable streams is under the jurisdiction of the War Department, those in the public domain are under the Interior Department, and those in the national forests are under the Department of Agriculture. The establishment of this commission, according to those who strongly favor it, would promote unity of action, together with economy of operation, through segregating all authority in this board, whose members would bring to its aid the personnel and vast machinery of the three great governmental departments over which they preside. Personally, I doubt very much the wisdom of the establishment of this commission composed of Cabinet officers, but I am sure it is the best we can get and so I am willing to accept it in order to get legislation.

Under the bill the commission is granted authority to collect data concerning the utilization of the water-power resources of the Nation; to issue licenses for water-power development to citizens of the United States, to corporations organized under the laws of the United States or of any State thereof, or to any State or municipality for a period not exceeding 50 years; to issue preliminary permits for a period of not exceeding three years to enable applicants for licenses to secure necessary data, and to hold hearings and take testimony regarding applications for preliminary permits or licenses. The commission is required to submit yearly reports to Congress setting forth the permits and licenses issued under the act and the moneys received, if any, on account thereof.

Before issuing preliminary permits or licenses which have not been preceded by a preliminary permit to persons or corporations, the commission must give notice of such applications to any State or municipality likely to be affected or interested, and must also publish notice of such applications for eight weeks in a daily or weekly newspaper published in the county or counties in which the project is situated. The commission is obliged to give preference to applications from States and municipalities for preliminary permits or for licenses where no preliminary permit has been issued, provided the plans for the same are equally well adapted to utilize the water resources of the region.

Should, in their judgment, the development of any project be undertaken by the United States itself, the commission shall not approve any application for such project, but shall cause to be made such plans and estimates of cost as it may deem necessary and submit its recommendations to Congress.

The provisions of the act do not revoke any permit or valid existing right of way heretofore granted, but any person, corporation, State, or municipality holding such permit or right of way may apply for a license under the act.

No transfer of any license other than in connection with a mortgage or trust deed or under tax sale can be made without the written consent of the commission.

The commission is empowered to establish a system of accounts to be maintained by licensees, and to require them to make, upon oath, such reports and statements as it shall request.

Each applicant for a license is required to submit to the commission—

(a) Such maps, plans, and estimates as may be required for a full understanding of the project, to be made a part of the license, and not to be changed without the approval of the commission.

(b) Satisfactory evidence that the applicant has complied with the State laws within which the proposed project is to be located with respect to the use of water and the right to engage in the business of developing, transmitting, and distributing power.

(c) Such other information as the commission may require.

All licensees are required to maintain their project works in a condition of adequate repair and to make all necessary renewals and replacements for their efficient operation and to establish and maintain adequate depreciation reserves for such purposes.

Each licensee is liable for all damages occasioned to the property of others through the construction or operation of his project works, and in no event is the United States to become liable therefor.

After the first 20 years of operation the licensee is required to maintain amortization reserves out of any surplus earned in excess of a reasonable return on the investment.

No charge is to be made for licenses issued to States or municipalities, for State or municipal purposes, or for projects of not to exceed 200 horsepower capacity, but all other licensees are to pay such reasonable annual charges as may be fixed by the commission, for reimbursing the United States for cost of administration of the act and for use of Government lands, but the charges are not in any event to exceed 25 cents per developed horsepower. These charges are to be paid into the United States Treasury to be used as Congress may direct toward paying cost of the administration of the act, the remainder to be expended under direction of the commission in maintenance of dams or other navigation structures owned by the United States or in the construction and operation of headwater improvements of streams upon which the commission is authorized to issue licenses.

Licensees are to pay their proportionate share for benefits received from storage reservoirs or other headwater improvements constructed by the United States or by other licensees.

If the dam or project works are to be constructed in any of the navigable waters of the United States the commission may require that the licensee construct without expense to the United States such lock or locks, booms, sluices, or other structures as may be necessary for navigation purposes, or in the event that the United States makes such installation itself then the licensee would be obliged to convey to the United States free of cost such of its lands as might be necessary, together with the right of passage through its dams and structures. The War Department is given control under the act of the pools created by dams in so far as required in the interest of navigation. The commission may also oblige the licensee who operates in a navigable water to furnish power free of cost for operation of navigation facilities and to maintain and operate at their own expense lights, signals, and fishways.

The licensee must begin construction within the time specified in the license, not exceeding two years from its date, and complete such part of the ultimate development within the time specified as shall in the judgment of the commission be sufficient to supply the needs of the then available market, and must from time to time construct such portion of the remainder of such development as the commission may direct so as to supply market demands until the full development shall have been made.

In issuing licenses for a minor part only of a complete project, or for a complete project of not more than 200 horsepower, the commission is empowered to waive such conditions of the act, except the license period of 50 years, as it may deem best.

The act provides that the United States may take over and operate any project during such time as the President deems that the safety of the United States demands it, for the purpose of manufacturing nitrates, explosives, or munitions of war, or for other purpose, the licensee to be properly recompensed when the property is returned.

The exercise of the right of eminent domain is given where the licensee is a municipal corporation or a public-service agent of a State or a public utility or service corporation, for the acquirement of necessary lands or property of others.

The act provides that contracts extending for periods beyond the date of termination of the license may be entered into by licensees, upon approval of the public-service commission of the State in which the sale or delivery of the power is made, or if sold or delivered in a State which has no such public-service commissions then upon the approval of the Federal power commission.

As a condition of the license all licensees are placed under the control of the public-service commission or other duly constituted agency of the State in which the service is rendered as to regulation of service and rates to be charged for power, or, if the State has no such agency, then the Federal power commission is given authority to regulate rates and service and also the amount and character of securities to be issued by licensees until such time as the State does provide such agency.

The bill provides that when the sale of power enters into interstate or foreign commerce, the rates charged and service rendered by licensees or their customers must be reasonable, nondiscriminatory, and just to the consumer, and whenever any of the States directly concerned have not provided a public service commission or other agency having authority over rates, service, and issuance of securities, or where any of the States in which the service is rendered are unable to agree, then jurisdiction in these matters is conferred upon the Federal power commission.

Combinations, agreements, or understandings, expressed or implied, to limit the output of electrical energy, to restrain trade, or to fix, maintain, or increase prices for electrical energy or service, are prohibited. Heavy penalties are provided for noncompliance with the requirements of the act.

The bill expressly provides that nothing contained therein shall affect or interfere with the laws of the respective States relating to the control or use of water used for irrigation or for municipal purposes.

While the right to alter, amend, or repeal the act is reserved, it is provided that it shall not affect any license theretofore issued under its provisions.

The bill provides that nothing contained therein shall modify or repeal the act of Congress approved December 19, 1913, granting certain rights of way to the city of San Francisco, Calif., and the act repeals section 18 of the act approved August 8, 1917, making appropriations for the construction, and so forth, of certain public works on rivers and harbors, and for other purposes.

Upon the expiration of the license, which shall have been issued for a period of not to exceed 50 years, the act provides that the United States may—

(a) Upon two years' notice, purchase any project covered by any license, upon paying the net investment of the licensee not to exceed the fair value of the property taken, plus such reasonable damages, if any, to property of the licensee, dependent for its usefulness upon the continuance of the license, but not taken, as may be caused by the severance therefrom of property taken, and upon assuming all contracts entered into by the licensee with approval of the commission. The term "net investment" used as the basis of valuation in case of purchase, and as defined in the bill, is simply a "get-your-money-back proposition," and under it no licensee could secure more than the amount actually invested. Wishing to be sure of my ground in this matter, I submitted the question to the well-known firm of public accountants, Messrs. Marwick, Mitchell, Peat & Co., of New York City, and received the following reply from them:

[U. S. A.: New York, 79 Wall Street; Boston, 148 State Street; Philadelphia, 1421 Chestnut Street; New Orleans, Hibernia Bank Building; Pittsburgh, 248 Fourth Avenue; Chicago, 105 South La Salle Street; Milwaukee, Pabst Building; St. Louis, Federal Reserve Bank Building; Kansas City, Commerce Building; Detroit, Dime Savings Bank Building; Minneapolis, 115 South Fourth Street; Dallas, American Exchange National Bank Building; Salt Lake City, Walker Bank Building; Portland, Northwestern Bank Building; San Francisco, 310 California Street. Canada: Montreal, 260 St. James Street; Toronto, Royal Bank Building; Winnipeg, Northern Crown Building; Moose Jaw, Walter Scott Block; Calgary, Canada Life Building; Vancouver, Standard Bank Building. Europe: London, Pinners Hall, Old Broad Street; Glasgow, 135 Buchanan Street; Paris, 5 Rue Daunou Près l'Avenue de l'Opéra. Cable address, "Mawikmit" for all offices. Codes Western Union, A B C 5th edition.]

MARWICK, MITCHELL, PEAT & CO.,
ACCOUNTANTS AND AUDITORS,
79 WALL STREET,
*New York, November 8, 1919.*

Hon. WESLEY L. JONES,
*United States Senate, Washington, D. C.*

DEAR SIR: At your request we have carefully considered the term "net investment" as defined in H. R. 3184, Senate Calendar 155, a bill "to create a Federal power commission and to define its powers and duties, to provide for the improvement of navigation, for the development of water power," etc.

We have studied the term "net investment" as defined in section 3 in its relation, where applicable to the remainder of the bill, and especially as to the establishment of accounts by the licensee as set forth in section 4, subsection F. The maintenance of the property and establishment of depreciation and other reserves, as provided in section 10, subsections C and D, and as to the financial conditions provided for in sections 14 and 15, relating to the purchase of the property of the licensee if taken over by the Government or by a new licensee after the expiration of the original license.

We give it as our opinion that under the term "net investment," if the property of the licensee were purchased by the Government or by a new licensee after the expiration of the original license, the owners of the property would be entitled to receive not more than the actual amount invested. If this is the object of the bill, then we think that the exact wording used in defining "net investment" accurately meets the condition.

Yours, very truly, MARWICK, MITCHELL, PEAT & CO.

(b) In case the Government does not purchase the project, it may issue a new license to the original licensee or to a new licensee upon such terms and conditions as may be authorized by the then existing laws and regulations, upon condition that any new licensee shall, before taking possession, pay such amount and assume such contracts as the United States would be required to do if it purchased the project.

(c) In the event the United States does not at the expiration of the original license exercise its option to purchase the project, or if it does not tender a new license on reasonable terms to the original or to a new licensee, which is accepted, then the act provides that the commission shall issue from year to year an annual license to the then licensee under the terms of the original license until the property is purchased by the Government or by a new licensee or a new license is issued.

It will thus be seen that under the terms of the act the Federal Government has, through its commission, the first right to develop any of the water powers under its jurisdiction. Should the Federal Government elect not to do so, then States and municipalities are accorded a preference right to licenses on even terms over citizens, associations of citizens, or corporations organized under the laws of the United States or any of the States thereof. Neither the Federal Government, the States, nor municipalities would pay any charges in event of their developing water power, and the entire burden of sustaining the cost of administration of the act, in addition to payment for use of Government lands, would fall upon such citizens and private corporations as cared to enter the field of water-power development.

While the Federal Government, the States, and municipalities would be privileged to develop and operate water powers without any restrictions, and would not be under the regulation of any governing body as to rates and service, yet if citizens and private corporations undertake the development of water powers they would, from the date of the signing of the preliminary permit until completion of the period of license, be under the close supervision of both Federal and State authorities, not only as to the rates they would charge for power and the character of service they would render the public but also as to every detail of their business. They would be faced with heavy penalties, the revocation of their permit, and loss of their property if they failed to conform strictly to the terms of the act. They would have to take all the chances of failure in a somewhat risky business, for dams sometimes go out through floods; and if after a generation of hard work they should have at last established a substantial business they would be faced with the probability that the Government might exercise its option and take over their project for itself, or allow some new licensee to do so, and they would receive only the actual amount invested and nothing for the good will created by years of hard work.

The option which is granted through this act to the Federal Government to take over the water powers of the country at cost, after they have been developed, gone through the early years of hardship and difficulty of securing a market for the energy, and have been placed upon a successful basis, will prove of enormous value if the water powers of the country are developed through private enterprise and capital. A friend of mine much interested in water-power development, in whom I have the utmost confidence, assures me that a private corporation might undoubtedly be organized which would pay a billion dollars for such an option if it could receive it. The Government, therefore, is securing a tremendous bargain if it can induce the development of the water powers of the country under the terms of this bill. And, indeed, such restrictive terms as I have set forth, and which are contained in this act, do not constitute a very attractive proposition to enterprising men and to capital; but, as I said before, water-power men tell me they can work under it, and so I hope we may soon pass it.

Mr. WARREN. Mr. President——

Mr. JONES of Washington. I yield to the Senator from Wyoming.

Mr. WARREN. I understand from the terms stated by the Senator that the basis is actual cost, without any addition for the use of money, without interest. Now, I can easily imagine a corporation or an individual starting with a plant and running a great many years without any return whatever; and in case a concern had established a plant of that kind, and had run along 10 or 15 years without making any return whatever, and merely paid operating expenses after that, would the Senator think that it was very much of an inducement for individuals or corporations to take up water power at any point where there was any question of success? Of course, it would lead to the development of the most promising propositions, but would it lead to taking up those less promising unless they were assured at least a small interest on their money?

Mr. JONES of Washington. Mr. President, I am afraid it would not; but the provision relating to that subject has passed the House. It has passed the House several times, and that seems to be about the best provision that can be made; so the Commerce Committee of the Senate, instead of changing it, have reported that without any substantial change. As I say, while the men who are interested in water-power development think the terms are very onerous, yet they think they can work under the bill, and that there will be very substantial development under it.

Mr. WARREN. No doubt there will be; but I imagine that a great many of the locations that would be taken up if there were more liberal terms, conducing very greatly to the convenience of the public, will have to wait.

Mr. JONES of Washington. I think that is probably true.

Mr. NORRIS. Mr. President——

Mr. JONES of Washington. I yield to the Senator from Nebraska.

Mr. NORRIS. I was going to make the suggestion that the Senator from Wyoming has made; but is it not natural to expect that? Unless we gave a bonus for somebody to develop a water power, nobody would develop it unless he was convinced, the same as in any other business venture, that by its development he was going to make a reasonable return, at least, on his investment. We could not expect all the water powers to be developed under any kind of a bill unless we gave people a bonus for development; and, indeed, do we want to develop a water power that will not pay? Is it not better that it be not developed?

Mr. JONES of Washington. If it will not pay under reasonable terms and conditions, of course it had better not be developed; that is true. The only question about it is whether these terms are not really too restrictive, and whether the definitions of the net investment and the return which is to come back to these people in case such propery is taken over are not too onerous.

Mr. NORRIS. That is, after a 50-year lease has expired.

Mr. JONES of Washington. Yes.

Mr. NORRIS. I have no doubt but that the public-service commission, in fixing the rates that they will permit these people to charge, will take into consideration without any question the lean years and the years when they had no return on the investment.

Mr. WARREN. We have to remember, when we consider an undertaking of that kind, the undertakings of our railroads. There are so few of our railroads that have not gone through the lean years, and, for that matter, receivers' hands, bankruptcy. As the Senator from Nebraska says, these matters will be taken up only by those who expect returns in the long run; but I think it will be fair for business men to expect, in nine out of ten cases, that there will be very lean years for quite a long time after the installation of new plants.

Mr. NORRIS. It seems to me, however, that when the 50-year period has expired you will undoubtedly find that the returns, if it has been a successful venture, have been sufficient so that those who have invested their money have derived a reasonable interest upon their investment from the time they made it. Now, if the Government wanted to take it over and had to pay a bonus at that time above the investment, it seems to me that it would not induce the development of any power, because men will not go into it, even if there is going to be a bonus given by the Government, on the theory that at the end of 50 years they can make an advantageous sale to the Government. So I do not believe that Congress ought to be any more liberal at the expiration of the 50 years than they are under this bill. To me, the thing that seems weak in it is the commission.

The bill provides for a commission of Cabinet officers. I think it ought to be a permanent body of men who would become experts in that line after they have been in office a while, removed entirely from political control, taken entirely out of politics, and not confined to Members of the Cabinet, who, as everybody knows, change with every administration, and a good many times during an administration, and new men are put in who do not know anything about the business.

Mr. JONES of Washington. I agree absolutely with the Senator's idea in regard to that; but, as I said a while ago, this seems to be the best provision that we can get in the hope of securing legislation, so the committee very reluctantly accepted the House provision with reference to that. It will be remembered that a bill covering this subject passed the Senate at the last Congress, and then was amended very materially and passed the House, and went to conference, and that the conference committee agreed and submitted a report which was adopted in the House, but was not adopted in the Senate. The House, in passing this bill, took as its basis substantially the conference report. The Senate committee, in the hope of getting legislation, changed that in just as few particulars as it felt that it was proper to do in the hope of getting legislation.

As I say, I agree absolutely with the Senator with reference to the commission; but the House, as we understand, is very firm upon the plan which is embodied in the bill, and so we did not deem it wise to suggest a change.

Mr. President, that is all I wish to say to-day. I desire to give notice to the Senate, however, for what it is worth, that

I shall endeavor to have the water-power bill brought up for consideration immediately upon the disposition of the railroad bill. Of course, I do not know whether the railroad bill will get through before the holidays or not. I hope it will. I hope it will get through in time for us to consider the water-power legislation before the holidays; but, at any rate, just as soon as the railroad bill is disposed of I am going to do everything in my power to have the water-power legislation taken up and acted upon by the Senate.

GOLD CERTIFICATES.

Mr. SMOOT. Mr. President, the Senator from Connecticut [Mr. McLEAN] reported to the Senate this morning Senate bill 3458.

Mr. POMERENE. When was the report made?

Mr. SMOOT. This morning.

Mr. POMERENE. When was it taken up by the committee, if I may ask?

Mr. SMOOT. I will say to the Senator that I introduced the bill on December 2. It is a bill to make gold certificates of the United States, payable to bearer on demand, legal tender. If there is any objection to it on the part of the Senator, I will not press it at this time.

Mr. POMERENE. I do not know that I have any objection to it. I am very frank in saying that at the time we were framing the Federal reserve act I not only wanted these notes to be made legal tender but, if I could have had my way about it, I would have made the Federal reserve notes legal tender.

Mr. SMOOT. I will say to the Senator that the reason why I am asking for the consideration of the bill is that Gov. Harding, of the Federal Reserve Board, desires action upon it at the very earliest possible date. The holiday trade is on. The one and two dollar silver certificates are virtually withdrawn from circulation; and the business people of the country, from one end of it to the other, are begging the United States Government to send them one and two dollar bills. We are not in a condition to do so unless we pass this bill, as I explained the day that I introduced the bill; but if there is the least objection to it I will not ask for its consideration at this time.

Mr. POMERENE. The bill was introduced on December 2. I have had no notice of any meeting of the committee, and I should prefer to hear what the members of the committee have to say who were present or had notice about it.

Mr. SMOOT. I will say to the Senator that the report from the committee is a unanimous one, and was made this morning; but if the Senator does not want any action on the bill to-day, all he has to do is to say so.

Mr. POMERENE. No; I raise no objection to it, because I think, as I understand it, I am in sympathy with the purpose of the bill.

Mr. SMOOT. I ask unanimous consent that the bill be taken up at this time.

The PRESIDING OFFICER (Mr. STERLING in the chair). Is there objection to the present consideration of the bill?

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the bill (S. 3458) to make gold certificates of the United States, payable to bearer on demand, legal tender, which was read, as follows:

*Be it enacted, etc.*, That gold certificates of the United States, payable to bearer on demand, shall be, and are hereby, made legal tender in payment of all debts and dues, public and private.

SEC. 2. That all acts or parts of acts which are inconsistent with this act are hereby repealed.

Mr. FLETCHER. Mr. President, I was present at the meeting of the committee when the bill was considered. It is a very excellent bill, so far as I can understand. We did not have time to get a report from the department on it.

Mr. SMOOT. Yes; there is a report, and it is filed with the bill. I am going to ask that it be printed in the RECORD.

Mr. FLETCHER. I would like to have that done, and I am taking the assurance of the Senator from Utah with regard to the attitude of the Federal Reserve Board.

Mr. SMOOT. There is not a doubt about it.

Mr. FLETCHER. I think it is a good measure.

Mr. POMERENE. Mr. President, may not the report be read, if there is a report here?

Mr. CUMMINS. Mr. President, may I ask what has become of the unfinished business?

Mr. SMOOT. I asked unanimous consent that the bill might be considered.

Mr. CUMMINS. I am not going to object, but I do not want the unfinished business to lose its place.

Mr. SMOOT. Oh, no. I can assure the Senator on that point.

Mr. POMERENE. Mr. President, I have just received word that the senior Senator from Colorado [Mr. THOMAS] would like to be present when the bill is taken up.

Mr. SMOOT. I think the remarks of the senior Senator from Colorado the other day were rather of a facetious nature.

Mr. POMERENE. The word I have is that he desires to be heard on the bill.

Mr. SMOOT. Then, Mr. President, I will ask that no further consideration of the bill be had at this time and that it go to the calendar for the present.

RAILROAD CONTROL.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 3288) further to regulate commerce among the States and with foreign nations and to amend an act entitled "An act to regulate commerce," approved February 4, 1887, as amended.

Mr. CURTIS. Mr. President, I prepared five amendments to the original Cummins bill, Senate bill 2906, and they were printed. I find that the necessity for a number of those amendments has been done away with by the provisions of the bill now being considered—Senate bill 3288. So at this time I do not desire to have them considered, unless the Senator from Iowa desires that they be disposed of. I do want to state, however, that during the consideration of this measure I want to move to strike out section 10. If that is successful, I will follow it with other motions with regard to the boards provided for in the bill.

Mr. CUMMINS. There is no amendment pending, so far as I know. Does the Senator from Kansas desire to offer an amendment?

Mr. CURTIS. There are five amendments printed and on the table is what I mean; there are six printed and on the table, as a matter of fact.

Mr. CUMMINS. I did not know whether the Senator from Kansas desired to offer one or more of them.

Mr. CURTIS. I say I do not at this time unless the Senator from Iowa wants to dispose of them. I would rather explain my objection to this provision of the bill and take up the other matters afterwards.

Mr. CUMMINS. Very well.

Mr. CURTIS. Mr. President, experience can alone disclose the extent of the benefits which new agencies bring to the world and the evil results from abuses of power or the neglect of duty can only be learned from their actual occurrence. This has clearly been demonstrated in the development and the management of the great railway systems in this country.

When the railroads were first built, no one foresaw their wonderful benefits, their growth, their power, and their influence; and no one dreamed of the abuse of power, the corrupt practices, and the neglect of duty which has occurred in the management of many of the great lines.

The good results should be preserved, faithful and good management should be encouraged, and the neglect of duty and the abuses of power should be prevented.

The country has seen the results of the different kinds of management of the great railroad systems; they have seen some of the best roads so poorly, if not criminally, managed that they were wrecked or thrown into bankruptcy; they have seen favoritism shown to great corporations; and they have seen one community built up at the expense of another. That there were actual abuses of various kinds in the management of many of the great lines will not be disputed, while, on the other hand, the country has seen some of the systems grow great and bring immeasureable benefits to different sections of the country through honest and fair management. The railroads have been a great benefit to the people of the various sections of the United States, but under good management and proper Government control and regulation they can and will be of greater benefit.

When our country became a party to the great World War the Government took over most of the railroads and has been operating them since January 1, 1918. In that time it has cost the Government in actual appropriations the sum of $1,250,000,000. The chairman of the committee says that it is estimated that the deficit will be about $650,000,000 for the two years. At this time no one can tell the amount of claims that will be filed. Many of the roads are claiming they have been greatly damaged and have suffered great loss in business. To say the Government operation has been unsatisfactory and extremely expensive would be putting it very mildly. The time has come to turn the roads back to their owners, and it is the duty of Congress to enact such legislation in regard to their control and regulation as will require the roads to give the public the service to which they are entitled and to prevent, as far as possible, the recurrence of well-known abuses that were practiced under the old managements. In short, the roads should be operated for the public welfare.

It has been demonstrated that the evils of the past in railroad management, such as the practice of discrimination, stock watering, rebating, pooling, and railroad wrecking are not necessary, and the roads whose managers have followed such practices have suffered great losses. It has also been demonstrated that honest operation of railroads, good service to the traveling and shipping public, fair and just dealing with those who patronize the roads, reasonable wages, for the services rendered, to the employees will bring prosperity to the roads and provide ample return on actual and necessary investments. The ultimate power in this country still rests with the people, and they, through their representatives, may exert regulating control over the corporations created by the Government, and the Congress has the power and the right to bring such corporations into full harmony with commercial equality and public justice.

The question of providing for the turning of the roads back and the regulation of their operation in the future is now before the Congress, and it is for Congress to decide what legislation is needed to preserve the usefulness of the railroads to the public, what will enable the roads to do justice in the way of pay to the great army of men and women in their employ, to give the public good and efficient service, and at the same time protect the legitimate, honest, and actual investments of capital in the railroad properties of the country.

There are now virtually two plans before the Senate, one the Senate bill and the other the House bill. Both have been carefully considered by the committees having charge of them, and the House bill has come to the Senate with the approval of a good majority of that body, and it seems to me that the Senate should adopt the plan which will cause the least interference consistent with freedom of action and at the same time guarantee protection to the public. This can be done by enacting legislation which will meet existing conditions and by providing for such regulation and control as will bring fair and just treatment to all concerned.

It is not my purpose to discuss the bills in detail. That can be better done by members of the committee who have devoted much time and study to the question. It seems to me, however, that too many boards and commissions are provided in the measures. It would be better to vest the power and authority of the various boards in the Interstate Commerce Commission. It has been in existence for many years; it has considered many of the questions which are bound to arise under any legislation that may be enacted; it has the confidence of the people; and it is better equipped to consider and settle railway questions than any new board could possibly be.

There should be but one commission, and it should have full power to settle all disputes arising between the roads and the public and all questions of wages and labor conditions that can not be settled by the man and the management.

I doubt if the plans for the settlement of labor disputes suggested in the House or Senate bills will be successful. If you will read the sections covering this question, you will find that the men and the management are given the same number of representatives on the various boards.

The Senate bill provides for the creation of a committee on wages and working conditions and three regional boards of adjustment for the purpose of settling disputes and controversies between the railways and their employees.

The committee of wages and working conditions is to be composed of eight members, four to represent labor and four to represent the carriers. This committee is empowered to hear and determine cases on appeal from the boards.

The three boards of adjustment are to consist of six members each and are made up as follows:

Three of the members of each board are to represent labor and three are to represent the railways. The bill also creates a transportation board, which is to be composed of five members to be appointed by the President. This board is given great power, but it seems to me that the work assigned to it could be assigned to the Interstate Commerce Commission. Each member of this board is to receive a salary of $12,000, and it is empowered to employ assistants, clerks, stenographers, attorneys, and other assistants. There is transferred to it some 10 or more subjects that are now under the jurisdiction of the Interstate Commerce Commission. It would be better to let these duties remain where they are rather than to build up another board with an army of employees. Decisions of the various labor boards and the committee on wages and working conditions are to be certified to the transportation board and shall take effect when approved by it, and the decision of this board is final.

The members of the committee on wages and working conditions are each to be paid a salary of $7,500 per annum, and the members of the boards of regional adjustment are each to receive a salary of $5,000 per annum. The committee and each board may appoint a secretary and the necessary employees.

Under the House bill the railway board of adjustment No. 1 consists of 8 members, 4 to be selected by the carriers and 1 from each of the four organizations of the employees.

Board No. 2 is to consist of 12 members, 6 selected by the carriers and 1 each from the six organizations of employees.

Board No. 3 shall consist of 8 members, 4 to be selected by the carriers and 1 from each of the four organizations of employees.

Matters that can not be settled by the railway board of adjustment may be referred to the commission on labor disputes. There are three such commissions, and they are made up in the same manner as are the railway boards of adjustment.

The representatives being interested, there is great danger of a deadlock, and it seems to me that the Interstate Commerce Commission would be disinterested and would be in a much better position to determine what would be right, fair, and just to the roads and their employees.

If the questions of wages and labor conditions are not to be left to the Interstate Commerce Commission, and if settlements of grievances, controversies, and disputes arising between the officials of the railroad and its employees can not be handled and settled in the usual manner, then a board of disinterested persons should be created with power to hear, settle, and finally dispose of the question. The board so created should be composed of men of high standing and wholly disinterested, so that the rights of the public, the employees, and the railroads will be fairly, justly, and finally settled.

In the past it has been the policy of the Government to refuse to permit railroads to enter into combinations, but the Senate bill changes this policy, and instead of making combinations illegal, it requires the railroads to consolidate into not less than 20 nor more than 35 separate and distinct systems.

I have grave doubts about the provisions of the pending bill which provide for consolidation of railroads. I fear they will prevent competition. The legislation enacted should guarantee full and free competition. The people have freely voted bonds to assist in the building of railroads for the purpose of having competing lines, and the principle of competition should be maintained so that natural laws of trade may not be interfered with.

I do not believe in pooling agreements, because such agreements can mean but one thing, and that is the suspension of competition. There is no denying the fact that just as far as pooling is permitted, just that far competition is avoided. The question of pooling has been before the courts a number of times, and it has met with universal condemnation.

The law should prohibit abuses and leave legitimate investments open to all. Authority should be given the Interstate Commerce Commission to restrain the railroads whenever they threaten the public interest. The roads are chartered for the public welfare.

The people ask that all persons be given equal rights, and that the service rendered by the railways shall be performed impartially, and that the charges for such services shall be fair and reasonable and based upon the same standard of cost. The management and operation of railroads with due regard for the rights of the public is needed now more than ever before. The farmer who has grain and stock to ship is entitled to the same treatment that is afforded the largest corporation in the land; the rights of the small cooperative elevator are as sacred as are the rights of the biggest corporate owned elevator. In short, the right of the humblest shipper or traveler should be guarded against the encroachment of the most powerful.

The Congress should not enact a law which will prohibit capital from investing in any legitimate and lawful enterprise, for to do so would be to destroy the freedom of trade, and while the legislation enacted should not be oppressive to capital legitimately and actually invested in railroad property, yet it is clearly the duty of Congress to protect the public against abuses.

I have studied the two measures very carefully, and I find that each has some very good provisions, but I think some amendments are necessary. There are some provisions of the House bill which I prefer to the Senate bill. I hope some measure will be acted upon very soon, for all concerned have a right to know what legislation is going to be enacted.

If possible, I would like to see the best parts of each bill retained; this may be done upon agreement and recommendation of the conferees.

I might state in conclusion that I have prepared and had printed another amendment in reference to those boards in case they are retained. I hope they may not be retained. The Senator from Missouri [Mr. SPENCER] has prepared a substitute which I think will give better satisfaction than the provision of the House bill or the Senate bill or the amendment prepared by me. That amendment, I suppose, will be taken up on Monday or Tuesday when the bill is again up for consideration.

Mr. CUMMINS. Do I understand that the Senator from Kansas desires to offer the amendment to which he has just referred?

Mr. CURTIS. I move to strike out section 10 of the bill, but I ask not to be required to take it up now because the subcommittee of the Committee on Finance are waiting for me. If that amendment may be pending, I move to strike out section 10.

Mr. CUMMINS. I am, of course, very much opposed to striking out section 10, but I think in view of all the circumstances we can not proceed with the consideration of the bill this afternoon. There are two or three Senators who desire to address the Senate generally upon the bill who are not prepared to do so this afternoon. I believe that time probably will be conserved if just now I ask unanimous consent to temporarily lay aside the unfinished business.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

### GOLD CERTIFICATES.

Mr. SMOOT. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of the bill (S. 3458) to make gold certificates of the United States payable to bearer on demand legal tender.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the bill.

The PRESIDING OFFICER. The bill has already been read.

Mr. POMERENE. The report of the committee has not been read.

The PRESIDING OFFICER. The report of the committee has not been read.

Mr. POMERENE. I ask that it may be read.

The PRESIDING OFFICER. The Secretary will read the report.

The Secretary read the report this day submitted by Mr. McLEAN from the Committee on Banking and Currency, as follows:

Mr. McLEAN, from the Committee on Banking and Currency, submitted the following report:

The Committee on Banking and Currency, to whom was referred the bill (S. 3458) to make gold certificates of the United States, payable to bearer on demand, legal tender, having considered the same, report favorably thereon, with the recommendation that the bill do pass without amendment.

The fact that silver certificates have been withdrawn from circulation and the silver dollars received in exchange have been broken up and sold as bullion for a price considerably above their coinage value has caused a marked shortage in notes of the smaller denominations.

Your committee is informed by the Treasury Department that the demand for one and two dollar notes is becoming more and more urgent every day. The one and two dollar Treasury notes can be issued only in exchange for unfit Treasury notes and Treasury notes of larger denominations. The Treasury notes of denominations above $2 now outstanding total $174,453,466, but these notes are largely retained by the banks because of their legal-tender quality.

It is urged by the Secretary of the Treasury in a communication to your committee, which is printed below, that these Treasury notes will be released by the banks if the gold certificates, payable on demand, are made legal tender, and, as these gold certificates can be redeemed in gold on demand, there would seem to be no good reason why this should not be done.

In addition to the need for an increase in the notes of small denominations to meet the ordinary trade requirements, it is claimed that it is difficult for persons desiring to make legal tender on contracts to get legal-tender notes for that purpose.

TREASURY DEPARTMENT,
*Washington, December 5, 1919.*

MY DEAR SENATOR: Answering your inquiry as to the position of the Treasury with reference to Senate bill, now before your committee, which proposes to make gold certificates payable on demand a legal tender for all debts and dues, public and private, I would state that I am in favor of this bill and hope very much it will be enacted into law at the earliest possible moment. The passage of this bill would not change in any way the present reserve situation, for section 19 of the Federal reserve act provides that all lawful reserves of national banks must be carried not in cash in their own vaults but exclusively in the shape of collected balances with the Federal reserve banks. Nor does the bill propose to give the legal tender quality to $10,000 gold certificates, which are payable to order and of which there are outstanding $654,670,000.

I think it is wise to confine the provisions of the bill to gold certificates payable to bearer on demand, thus avoiding any question as to the validity of indorsements, which would arise in the case of the order certificates. On October 31, 1919, the net amount of gold certificates in circulation was $424,439,732, the denominations of which range from $10 to $5,000. As these certificates are receipts of the Treasury for gold deposited with it and as each certificate must be redeemed in gold on demand, there seems to be no good reason why a gold certificate payable to bearer on demand and which can command the actual gold at any time should not be made a legal tender for all public and private dues. United States gold certificates are issued under the provisions of section 6 of the act of March 14, 1900, as amended by the acts of March 4, 1907, March 2, 1911, and June 12, 1916.

There is a most pressing need for notes of the smaller denominations. On October 31, 1919, there were outstanding notes of $1 and $2 denominations as follows:

| | |
|---|---|
| United States notes (legal tenders) | $152, 560, 518 |
| Treasury notes of 1890 | 525, 832 |
| Federal reserve bank notes | 220, 865, 800 |
| National bank notes | 505, 464 |
| Silver certificates | 121, 869, 917 |
| Total | 496, 327, 531 |

During the past two years there has been a heavy demand for silver, which has been met in part by the sale as bullion of standard silver dollars, as authorized under the act of April 23, 1918, commonly known as the Pittman Act. This act authorizes, also, the issue of Federal reserve bank notes in denominations of $1 and $2, which are secured by United States bonds and Treasury certificates and are taxed as national-bank notes are taxed. These notes, however, can be issued only as silver dollars, are sold as bullion, and can not increase the volume of circulation.

The demand for silver has resulted in a marked increase in the price of silver bullion, and quotations during the past 10 days have ranged between $1.29 and $1.37½ per ounce, and the average maintained was considerably above $1.2929, which is the coinage value. In consequence of the enhancement in the value of silver metal, silver dollars are now worth more as bullion than as currency, and silver certificates, which are redeemable in silver dollars, are fast disappearing from circulation. A large and immediate additional supply of one and two dollar notes is absolutely necessary to supply industrial and commercial needs. The Treasury has on hand an adequate supply of United States notes, or legal tenders, of the denominations of $1 and $2, but can issue them only in exchange for unfit notes or for notes of larger denominations. I transmit herewith a table, from which you will see that there are outstanding notes, or legal tenders, of denominations above $2, $175,-453,466, which are held in large part by the banks because of their legal tender quality.

Should the pending bill become a law, the banks would no longer have any object in holding the United States legal-tender notes and would, without doubt, immediately release them to the Treasury in exchange for $1 and $2 notes. The supply of gold certificates would be more than ample for the needs of those desiring to make legal tenders on contracts or debts, and the gold certificates will be found much more convenient for such purposes than gold coin itself.

The demand for one and two dollar bills is becoming more urgent every day, and in order to enable the Treasury to meet these demands it is important that the pending bill be enacted into law at the earliest possible moment.

Very truly, yours,

CARTER GLASS,
*Secretary.*

Hon. GEORGE P. McLEAN,
*Chairman Committee on Banking and Currency,*
*United States Senate.*

*Monthly statement.*

[Paper currency of each denomination outstanding Oct. 31, 1919.]

| Denominations. | United States notes. | Treasury notes of 1890. | Federal reserve notes. | Federal reserve bank notes. | National-bank notes. | Gold certificates. | Silver certificates. | Total. |
|---|---|---|---|---|---|---|---|---|
| $1 | $111, 905, 415 | $323, 834 | | $174, 241, 436 | $342, 072 | | $95, 981, 177 | |
| $2 | 40, 655, 103 | 201, 998 | | 46, 624, 384 | 163, 392 | | 25, 888, 740 | |
| $5 | 149, 534, 940 | 429, 948 | | 37, 423, 160 | 142, 272, 305 | | 39, 516, 477 | |
| $10 | 27, 051, 541 | 427, 940 | | 6, 274, 800 | 282, 460, 600 | $212, 757, 435 | 6, 550, 861 | |
| $20 | 6, 899, 242 | 190, 330 | | 5, 079, 040 | 234, 433, 120 | 183, 804, 604 | 7, 346, 390 | |
| $50 | 1, 045, 775 | 8, 650 | | | 30, 856, 450 | 58, 313, 630 | 4, 707, 935 | |
| $100 | 1, 686, 000 | 78, 300 | | | 33, 206, 800 | 82, 781, 900 | 244, 320 | |
| $500 | 1, 267, 000 | | | | 88, 000 | 19, 221, 000 | 13, 500 | |
| $1,000 | 7, 626, 000 | 59, 000 | | | 21, 000 | 110, 308, 500 | 16, 000 | |
| $5,000 | | | | | | 142, 115, 000 | | |
| $10,000 | 10, 000 | | | | | 654, 670, 000 | | |
| Fractional parts | | | | | 59, 193 | | | |
| Total | 347, 681, 016 | 1, 720, 000 | | 269, 642, 800 | 723, 902, 932 | 1, 463, 972, 069 | 180, 265, 400 | |
| Deduct: | | | | | | | | |
| Unknown, destroyed | 1, 000, 000 | | | | | | | $1, 000, 000 |
| Held in Treasury | 18, 667, 032 | 10, 907 | $41, 580, 473 | 58, 937, 431 | 53, 883, 553 | 800, 284, 057 | 24, 129, 686 | |
| Held by Federal reserve banks | | | 178, 175, 380 | | | | | 178, 175, 380 |
| Held by Federal reserve agents | | | | | | 239, 248, 280 | | 239, 248, 280 |
| Redeemed but not assorted by denominations | | | | 1, 656, 000 | 1, 508, 607 | | | |
| Net | 328, 013, 984 | 1, 709, 093 | | 209, 049, 369 | 668, 510, 772 | 424, 439, 732 | 156, 135, 714 | |

Treasury Department, Office of the Treasurer of the United States.

Mr. POMERENE. Mr. President, I have no objection to the passage of the bill. I think it is a reflection upon the Treasury Department that they did not ask for this legislation long ago. There is no sound reason, at least in this day of financial operations, that can be urged why we should have gold as a legal tender and not have the certificates which represent that gold a legal tender. If it were within my power I would add Federal reserve notes as well.

Mr. THOMAS. Mr. President, the one significant feature of this measure is the time when presented for consideration. It comes when silver is worth in the market very much more than gold and when gold is the cheaper of the two metals. We are about, therefore, to bestow a faculty and virtue upon the representative of unsound money. There can be no doubt about that fact, because I have listened to its assertion iterated and reiterated for many years in the past, and particularly during the very exciting campaign of 1896.

In those days I ventured to question the soundness of the doctrine proclaimed with vehemence and an earnestness that frequently bordered upon personal resentment that only money worth 100 cents to the dollar should pass current or receive the sanction of governmental authority. In those days we were all assured that gold was the only thing in the world endowed with an absolute, constant, unvarying, unchanging, positive value. It was like the laws of the Medes and the Persians, exempt from human influence, from the effect of human industry, from the laws of supply and demand; and even the quantity in circulation in no way affected or impaired its actual or relative value.

We now confront the situation where the mutations of time have brought revenge, and the regnant metal of the hour is the despised white metal of the past, to which the doors of the mint were long ago shut and to suggest the reopening of which subjected one to the charge of idiocy or of lunacy or of knavery or of all those undesirable qualities.

I really think the word "gold" should be stricken out of the bill and the word silver inserted, because not otherwise can we keep faith with the public creditor, not otherwise can we pay him in sound money, not otherwise can we preserve the national honor. The fact is so patent, so mathematically demonstrable, that it is only necessary to state it when it will be generally accepted.

Let me, therefore, Mr. President, warn those responsible for this movement to give a legal-tender value to depreciated paper, that they are flooding the country with more unsound money, and the poor creditor, obliged to accept these certificates, will think twice before commending either the wisdom or the integrity of the Senate of the United States. It is a situation which I deplore.

Mr. KENYON. Mr. President——

The PRESIDING OFFICER. Does the Senator from Colorado yield?

Mr. THOMAS. Just a moment. But, notwithstanding that result, in keeping with my past reputation as an advocate of dishonest money, I feel constrained to vote for the bill.

Mr. KENYON. Mr. President, does not the Senator from Colorado feel that some apologies are due to Mr. Bryan for attacking the position he took of paying debts with dishonest silver dollars when we now pay them in depreciated gold dollars?

Mr. THOMAS. If I may fall into the vernacular, I think it is Bryan's time to "crow." I notice he has been addressing some rather embarrassing queries to the magnates in the financial world in New York, some of whose answers are very characteristic. He is still "a dangerous citizen," whose financial views are too pernicious to demand serious consideration. My own judgment is that to Mr. Bryan and those of us whose mental limitations caused us to support his views it is a matter of considerable satisfaction to know that, even though the period may be brief, silver has come into its own and the standard gold dollar created by the act of 1900 is now the short-legged dollar of the country.

Mr. KING. Mr. President, will the Senator from Colorado yield to me?

Mr. THOMAS. Oh, I am through.

Mr. KING. Having listened to the exquisite piece of irony and satire of the Senator, I should like to propound a question to him before he concludes; and, in serious good faith, I will ask the Senator——

Mr. THOMAS. I have been speaking in good faith.

Mr. KING. Of course, the Senator from Colorado always speaks in good faith, but in a satirical vein he has, it seems to me, to use the vernacular of the street, "rubbed it into" the advocates of the gold standard. But the question I was about to propound to the Senator is this: The Senator will recall that when one of his illustrious predecessors from the State of Colorado was here he very earnestly sought the passage of a measure that would permit an international conference with a view to establishing silver as one of the bases of our financial system.

Mr. THOMAS. He passed that measure.

Mr. KING. He passed the resolution for such an investigation, but we did not secure international bimetallism. I was about to ask the Senator from Colorado whether he did not think it was a good time now to try to secure international bimetallism?

Mr. THOMAS. Mr. President, at the beginning of the special session of this Congress I introduced a resolution for the appointment of a commission to consider and, if possible, agree with other nations on some basis for regulating the rate of exchange between gold and silver using countries. If that is done, without regard to the ratio of exchange, it will steady those fluctuations, to the mutual benefit and prosperity of both the silver-using and the gold-using nations.

All nations are now nominally gold-using nations, but silver is just as much the currency of India and of China and practically of all the yellow races of the world as it ever was. Unquestionably, however, the present time is very appropriate for meeting and, by adjustment, doing away with that situation which has prevailed ever since silver fell below par.

My precedessor, the late Senator Wolcott, secured the enactment of a joint resolution, and its approval by President McKinley, providing for such regulation of exchanges which would very largely afford the equivalent of the fixity of ratios. That joint resolution received in the Senate, among others, the support of Senator Hoar, of Massachusetts. Senator Wolcott was made the chairman of the commission appointed by President McKinley for that purpose. In his autobiography or reminiscences Senator Hoar gives an interesting account of the tribulations of that commission and the difficulties which it encountered in the effort to secure recognition of its purposes in Great Britain. Senator Wolcott upon his return deliberately charged upon the floor of the Senate that his mission had been defeated by the intrigue of the then Secretary of the Treasury, Mr. Gage, and in his very impetuous and eloquent manner denounced the interference not only as an act of bad faith, but which should be visited with much more than mere denunciation. I am satisfied that if Senator Wolcott had had a free hand, if the financial interests of the Government and of the country had acquiesced, even passively, in his effort, he would have accomplished his great and beneficent object.

I think the suggestion of the Senator from Utah [Mr. KING] is a most pertinent one, and it is my intention, Mr. President, as soon as the unfinished business is disposed of, to address the Senate upon the metallic-money world situation, the need of the regulation of exchange, and the ease with which, in view of the present value of silver, it can now be accomplished.

The bill was reported to the Senate without amendment, ordered to be engrossed for a third reading, read the third time, and passed.

METHOD OF CAPITAL PUNISHMENT IN THE DISTRICT.

Mr. DIAL. Mr. President, I ask unanimous consent for the present consideration of the bill (S. 2756) to prescribe the method of capital punishment in the District of Columbia. It merely provides for a change in the method of inflicting the death penalty in the District. The bill has been favorably reported from the committee.

Mr. SMOOT. Mr. President, as I understand the bill, it merely changes the mode of capital punishment from hanging to electrocution.

Mr. DIAL. It changes it from hanging to electrocution, adopting the modern method employed in various States.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate as in Committee of the Whole proceeded to consider the bill, which was read, as follows:

*Be it enacted, etc.*, That on and after the 1st day of January, 1920, the mode of capital punishment in the District of Columbia shall be by the process commonly known as electrocution. The punishment of death shall be inflicted by causing to pass through the body of the convict a current of electricity of sufficient intensity to cause death and the application of such current shall be continued until such convict is dead.

SEC. 2. That the Commissioners of the District of Columbia are authorized and required, on the approval of this act by the President, to provide a death chamber and necessary apparatus for inflicting the death penalty by electrocution, to pay the cost thereof out of any funds available and not otherwise appropriated, to designate an executioner and necessary assistants, not exceeding three in number, and to fix the fees thereof for services, which shall be paid out of any funds available and not otherwise appropriated.

SEC. 3. That upon the conviction of any person in the District of Columbia of a crime the punishment of which is death, it shall be the duty of the presiding judge to sentence such convicted person to death according to the terms of this act, and to make such sentence in writing, which shall be filed with the papers in the case against such convicted person, and a certified copy thereof shall be transmitted, by the clerk of the court in which such sentence is pronounced, to the superintendent of the District Jail, not less than 10 days prior to the time fixed in the sentence of the court for the execution of the same.

SEC. 4. That at the execution of the death penalty as herein prescribed there shall be present the following persons, and no more, to wit:

The executioner and his assistants; the physician of the prison and one other physician if the condemned person so desires; the condemned person's counsel and relatives, not exceeding three, if they so desire; the prison chaplain and such other ministers of the gospel, not exceeding two, as may attend by desire of the condemned; the superintendent of the prison, or, in the event of his disability, a deputy designated by him; and not fewer than three nor more than five respectable citizens whom the superintendent of the prison shall designate, and, if necessary to insure their attendance, shall subpœna to be present. The fact of execution shall be certified by the prison physician and the executioner to the clerk of the court in which sentence was pronounced, which certificate shall be filed by the clerk with the papers in the case.

SEC. 5. That all acts or parts of acts inconsistent with this act are hereby repealed.

Mr. DIAL. Mr. President, it will be necessary to adopt an amendment as to the date when the bill shall take effect. As reported it provides that it shall take effect on the 1st day of January, 1920. I suggest that we will have to fix a later date, and I move to amend by striking out the word "January" and inserting the word "June."

Mr. SMOOT. Why should the date be placed so far ahead?

Mr. DIAL. In order that the bill may have an opportunity to pass the other House and become a law. Any other date that will afford the necessary opportunity will suit me, but I imagine that it will not be possible to secure the enactment of the bill by January 1. If the Senator has any suggestion to make in regard to the date, I will be glad to have him make it. I will suggest, if that is agreeable to the Senator, that the date be made March 1. I hope it will be possible to get the bill through by that time.

The PRESIDING OFFICER. The amendment proposed by the Senator from South Carolina will be stated.

The Secretary. On page 1, line 3, after the word "of," it is proposed to strike out "January" and insert "March."

The amendment was agreed to.

Mr. KING. Mr. President, I should like to ask a question of the Senator having the bill in charge. Has there been a recommendation of the officials of the District of Columbia in regard to this measure?

Mr. DIAL. Yes, sir. It was referred to the Commissioners of the District of Columbia and they favored it unanimously.

Mr. KING. As I understand, the Senator who offered this bill believes that electrocution is a more humane method of dealing with those upon whom the sentence of death has been passed than is hanging. I want to ask the Senator whether or not those who have made a study of the different methods employed in carrying out the death penalty have recommended in favor of electrocution rather than shooting or hanging or any other method that now obtains in the United States?

Mr. DIAL. I do not know, Mr. President, of any extensive study made or report submitted with regard to it, but the method of inflicting the death penalty proposed by the bill obtains in many States of the Union, for instance, Indiana, Kentucky, Massachusetts, Nebraska, New York, Ohio, Oklahoma, South Carolina, Vermont, Virginia, and possibly other States. It occurs to me that it is more humane to electrocute a person than it is to hang him. It is a mere matter of advancement and progress, I take it. I hope that none of the people who reside in the District of Columbia will have the death penalty inflicted upon them, but if that shall be necessary we are trying to make it as comfortable for them as possible.

Mr. KING. I am not sure that the method proposed by this bill has any more elements of humaneness in dealing with those who are to be executed than other methods now prevailing in the United States. I have talked with a number of men who have been present at electrocutions, and a majority of those with whom I have spoken have had no hesitancy in saying that they regarded hanging or shooting as humane as, and some of them said more humane than, electrocution. It seems to me that there is nothing that could be more frightful than to strap a man in a chair and adjust the mechanism there provided so that the current may pass through his body without obstruction and destroy his life. Nothing could be more frightful than that. It seems to me shooting or hanging would be as humane, and perhaps more humane, than electrocution.

I voted against this measure in the committee because I did not believe that the method provided possessed sufficient merit over the present method to commend itself to the judgment of the Senate. I do not object to the consideration of the bill, but, with my present information, humanity being the reason why this bill is urged, and feeling that electrocution is not more humane than the present method of inflicting the death penalty in the District, I shall not give it my support.

Mr. DIAL. Mr. President, I repeat, the bill has received the favorable consideration of the Commissioners of the District of Columbia, to whom it was referred and who made a favorable report on it. A large majority of the Committee on the District of Columbia also favored this bill.

The bill was reported to the Senate as amended, and the amendment was concurred in.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

### NATIONAL-BANK NOTES.

Mr. SMOOT obtained the floor.

Mr. McLEAN. Mr. President, I ask unanimous consent for the present consideration of Senate bill 2902.

Mr. SMOOT. I will yield for that purpose, if there is no objection to the bill.

Mr. McLEAN. This bill has been on the calendar for a long time. It merely permits the signatures on circulating notes to be engraved or written. I think the bill has already passed the House. There is no possible objection to it. It was introduced by the Senator from North Carolina [Mr. SIMMONS].

Mr. SMOOT. I will yield if there is no objection to the bill. If it leads to any discussion, however, I must object.

Mr. McLEAN. If there is any objection, I will withdraw it.

The PRESIDING OFFCER. The Senator from Connecticut asks unanimous consent for the present consideration of Senate bill 2902. Is there objection?

Mr. KENYON. Mr. President, I am not going to object to the consideration of this bill; but if this is to go on, and we are to continue to attempt to pass bills, I am going to begin objecting with the next one. I do not believe we ought to pass bills with only six or seven Senators in the Chamber; but I will not object to the consideration of this one.

Mr. McLEAN. I think, if the Senator will listen to the reading of the bill, he will have no objection.

Mr. KENYON. I have been informed by the Senator from New Jersey [Mr. FRELINGHUYSEN] as to what it is, and I am not going to object; but I do think that the practice of passing bills in the middle of the afternoon, with only five or six Senators present, is wrong.

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the bill (S. 2902) to amend section 5182, Revised Statutes of the United States, which was read, as follows:

*Be it enacted, etc.*, That section 5182, Revised Statutes of the United States, be amended to read as follows:

"SEC. 5182. Any association receiving circulating notes under this title may, if its promise to pay such notes on demand is expressed thereon attested by the written or engraved signatures of the president or vice president and the cashier thereof in such manner as to make them obligatory promissory notes payable on demand at its place of business, issue and circulate the same as money. Such written or engraved signatures of the president or vice president and the cashier of such association may be attached to such notes either before or after the receipt of such notes by such association. And such notes shall be received at par in all parts of the United States in payment of taxes, excises, public lands, and all other dues to the United States, except duties on imports; and also for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the United States, except interest on the public debt and in redemption of the national currency."

The bill was reported to the Senate without amendment, ordered to be engrossed for a third reading, read the third time, and passed.

### RAILROAD CONTROL.

The Senate, as in Committee of the Whole, resumed consideration of the bill (S. 3288) further to regulate commerce among the States and with foreign nations and to amend an act entitled "An act to regulate commerce," approved February 4, 1887, as amended.

### ADJOURNMENT.

Mr. SMOOT. I move that the Senate take a recess until 12 o'clock on Monday.

Mr. KENYON. Mr. President, why not adjourn, so that we can have a morning hour?

Mr. SMOOT. The Senator's colleague, the senior Senator from Iowa [Mr. CUMMINS], desires a recess.

Mr. NORRIS. Mr. President, there are many Senators who have some business they desire to transact in the morning hour. The Senator from Massachusetts [Mr. LODGE] has just come in, and I am certain that under the circumstances he will favor an adjournment rather than a recess.

Mr. SMOOT. Then I will change the motion and move that the Senate adjourn.

The motion was agreed to; and (at 2 o'clock and 35 minutes p. m.) the Senate adjourned until Monday, December 8, 1919, at 12 o'clock meridian.